

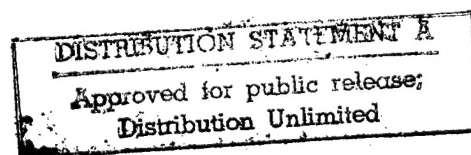


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Presentation of Results of Government's Work

AU218112392 Tirana RILINDJA DEMOKRATIKE
in Albanian 25 Jul 92 p 3

[Article by Dulejman Karaj: "Do Not Wound Hope and Confidence"]

[Text]

The Freedom of Thought, Conscience

We are really free to say what we want to say and what we feel, everywhere—at home, in the cafe, on the street, and even freely—very freely—in the press and on television. We have put an end to the muteness of the communist period....

Above all these factors, we have gained that which we thought had abandoned us forever, a good omen for a more productive season. Is this a pledge that democracy, which was dreamed by so many generations, has been kept? The misinformers are purposeful nihilists. As such, it is not worth having confidence in them.

Welfare

The economic situation is difficult for the majority of the population. Otherwise, every citizen should ask himself: Where did we come from? Unfortunately, we were not like Hungary, Czechoslovakia, Bulgaria, or...even like Kosovo concerning the deteriorated economic situation. We were Albania. We were neither with the East nor the West, neither with the north nor the south, and neither with God! Then, is this temporary difficult situation justified? There is a light of hope on the horizon. In this spring alone, the democratic world gave Albania an aid of nearly \$400 million. This was due to the victory of the democratic forces. Daily, one can witness an abundance in the produce market. You can find everything there: potatoes, beans, tomatoes, onions, peppers, and further on, all kinds of fruits, up to the bananas of Africa. It is a miracle!

People, I ask you: Are these the first fruits of our labor? I think they are. One or two years ago, the produce markets of our cities were much poorer, even at peak season.

What about the industrial market? During the more than one year that Albania was given the green light, televisions, refrigerators, washing machines, electric stoves, clothes, etc., have entered Albania to an extent unheard of for 45 years. The authorization from the popular council to buy a black and white televisions, refrigerators, or washing machines seems paradoxical now when you see large amounts of them on our market. The freedom of private property was ensured, the land was given back to the peasants, etc.

All these things happened even though our democracy is only four months old. I am asking you again: What about after six months, one year, three, or five years; where will we be? The developed world factually proved that the system of

the market economy knows only growth. The direction of movement will be only toward progress and first toward the economic progress, unless we put stones under the wheels of the train that has just departed. I express my sorrow for the impatience and disillusion of many people. This disillusion does not encourage, but delays the result. We should in no way speculate with the fatigue and impatience of the people, as the socialists are doing.

To be honest, there are mistakes either in the work of the parliament, or in that of the government in issuing and approving several laws that are more essential at this new time or laws for a more acceptable harmonization of the ratio between wages and prices. Several shortages of soap, oil, and sugar certainly do not make the government look good.

This is the beginning. Every beginning is difficult, but not insurmountable.

It is not to the honor of every citizen either with socialist, republican, or social democratic convictions, and moreover to the honor of those who voted for the PD [Democratic Party], to endanger democracy on 26 July just because of several temporary shortages—consequences of emptying the storehouses while the Socialist Party was in power.

Where is our word of honor? Our people gave this pledge to the PPSH [Labor Party] for more than 45 years to go down an untrodden road, whose end you did not know...! Does the PD and its government deserve this pledge for at least four or eight years? The road that the PD predicts has been tried before by Europe, and this is the road we want to take. Thus, we will no longer walk on unknown paths. It does not matter if at first we perhaps do not know how to walk this path properly and run into weeds, thorns, rotten and fallen trees, branches that should be trimmed because they are dry, etc. All these obstruct us in our road, whose end we know.

If we ask from every government, whatever it be, to change our desperate, but not hopeless, situation in five or six months, then we will be what we are. We will never be stabilized. We will be cursed for ever. Is this right?

The Order and Calm

Facts are present everyday. Theft, all kinds of crime, and even worse, murder remain in our Albanian environment.

Unconscious and illogical people very simply commit crimes every time saying that "we are in a democracy, democracy contains such things," etc.

Democracy is first dictatorship of law. Other freedoms spring from this. There have been successes in the work of the government during these three months. They should not be denied, on the contrary.

Closing this article, I would like to tell you, dear reader, that you, me, and every one of us should have more confidence in democracy, a better future, and this government we brought to power with our free will as in no other time in our history. On 26 July we should be together united in a bloc, as we were on 22 March.

METROPOLITAN, TELEGRAF Announce Merger*AU2908190592 Prague TELEGRAF in Czech
26 Aug 92 p 1*

[Text of statement from publishers of METROPOLITAN-TELEGRAF]

[Text] Dear readers:

The "masthead" of the newspaper you hold in your hands has been changed to METROPOLITAN-TELEGRAF. Let us explain the reasons for this change.

The METROPOLITAN has been published for 18 months now, and assumed the same right-wing position as the TELEGRAF that came to existence almost nine months ago. The two dailies have actually competed on the newspaper market.

The newspaper market in Bohemia and Moravia is completely saturated, and the publishers consider their competition pointless. Only those dailies that can operate economically and attract readers with their content have a chance of survival here. The two editorial offices will merge tomorrow. This merger will improve the quality of information presented to the reader. We believe that the best of what the two teams have achieved will be preserved in this joint project. Certain changes, of course, will be necessary in the content structure of the new daily, but we are convinced that our readers will quickly accustom themselves to the new structure and will appreciate precisely the positive contribution of our joining forces. One aspect will not change, and that is the right-wing orientation of our paper. We are all aware of the fact that our still fragile democracy would be even more fragile without the aid of the press, and that the need for right-wing papers is even greater than before. The METROPOLITAN-TELEGRAF will do its best to become your favored paper.

Signed: METROPOLITAN Ltd.
TELEGRAF Ltd.

METROPOLITAN, TELEGRAF Sign Merger*AU2908192592 Prague LIDOVE NOVINY in Czech
26 Aug p 8*

[Article by "pas": "METROPOLITAN-TELEGRAF"]

[Text] Prague—The merger of the METROPOLITAN and TELEGRAF dailies has been signed. Both papers had a low circulation (METROPOLITAN, 24,000 and TELEGRAF, 48,000—with 15-30 percent remaindered) and struggled with financial difficulties. According to the contract, the rights and assets of TELEGRAF are transferred to the METROPOLITAN company. The owner of VECERNIK PRAHA allegedly showed interest in purchasing TELEGRAF, but the publishers preferred to merge with METROPOLITAN because the two dailies have a similar political orientation. Ivan Bednar, former

editor in chief of METROPOLITAN, has been appointed chief editor of the new daily.

TELEGRAF Reporters To Leave After Merger*AU3108113592 Prague LIDOVE NOVINY in Czech
27 Aug 92 p 12*

["Statement" by staff journalists of the daily TELE-
GRAF]

[Text] The dailies TELEGRAF and METROPOLITAN were merged on 25 August. On the basis of an informative meeting with the management of METROPOLITAN, from which it clearly transpired that the new periodical, METROPOLITAN-TELEGRAF, will have very little in common with the right-wing daily TELEGRAF as we know it, the majority of staff journalists concluded that they do not want to stay in a newspaper "patched together" in this way. To a formidable degree, this decision is also influenced by the unclear background of the company Dialog that sponsors the daily METROPOLITAN and by the unprofessional and arrogant behavior of METROPOLITAN Chief Editor Ivan Bednar at the aforementioned meeting. Equally unacceptable is the assertion by the METROPOLITAN management that the new publisher is rescuing the editorial staff of TELEGRAF because, in reality, he is rescuing the honor of the present publishers of the daily TELEGRAF.

Bugar Interviewed on Minority's Grievances*AU1908090592 Bratislava SMENA in Slovak 17 Aug 92
p 3*

[Interview with Vojtech Bugar, chairman of the Hungarian Christian Democratic Movement, by Jana Bogarova; place and date not given: "Minorities—A Key to the Gates of Europe"]

[Text] [Bogarova] Could you assess the state of the rights of the Hungarian national minority in Slovakia? According to [chairman of the Coexistence movement] Miklos Duray, during the era of communism they were at a higher level than now.

[Bugar] Generally speaking, it is true that prior to 1989 we availed ourselves of possibilities that we do not have at present. For example, at the Slovak Ministry of Education, Youth, and Sports there no longer exists a Hungarian department. There are also problems with registering first names: There is a list of first names and if a Hungarian name does not figure in that list, it cannot be entered in the register of births. Of course, this differs from region to region. In areas inhabited by many Hungarians the name will be recorded without problems but at other places the clerks invoke the list. Some schools with Hungarian as the language of tuition receive report cards only in Slovak, although in the past they used to be bilingual. It is not true that we want to have report cards only in Hungarian. We are citizens of this republic. At the same time, however, we want the minorities to be able to use their language in dealings with the

authorities in those areas where the majority of citizens are of Hungarian nationality, for example.

[Bogarova] Yet the currently valid language law allows the minorities to do this. Do you consider that law to be discriminatory?

[Bugar] There are elements in the language law that really are discriminatory. This concerns, for example, areas in which the Hungarian minority represents the majority. If there is a civil servant in an office who is of Slovak nationality, it is necessary to use the official Slovak language, even if that civil servant speaks Hungarian. On the other hand, I am beginning to think that it is the politicians who are responsible for the greatest evil in these matters. In Samorin, for example, 70 percent of the inhabitants are of Hungarian nationality and 30 percent of Slovak nationality. There are always one or two people who will incite passions but you will not find any big problems there. We are of the opinion that the language law was not necessary. And if it was, then it should have been a language law designed to protect the minority's language. It is absurd to protect the language of the majority. I cannot imagine how fewer than 600,000 Hungarians could oppress almost 5 million Slovaks.

[Bogarova] You say that the language law is not being enacted as it should. However, when you know about violations of the law, you can ask for an inquiry by the appropriate bodies....

[Bugar] The law is being violated because it is not clearly formulated. Not only the language law, but other laws, too, can be interpreted in various ways and therefore broken. This is why the language law is not good. This is not to say that it must be changed and made stricter.

[Bogarova] If you were asked whether the observance of the rights of national minorities in Slovakia is up to the standard that is customary in Europe, what would you reply?

[Bugar] There are some rights that are being violated. However, this is the case because, for the time being, they are not anchored in the Constitution and other laws. That is the main issue.

[Bogarova] We do, however, have the Charter of Basic Rights and Liberties, which has the character of a constitutional law. It extends to the minorities the right to receive and spread information in the mother tongue, the right to use the mother tongue in dealings with the authorities, the right to associate and establish organizations, including political parties, etc. Is the Charter being observed, in your opinion, or not?

[Bugar] Yes, it is true that we have those rights. However, the first problems appear when it comes to their enactment. For example, we have the right, guaranteed by law, to television broadcasts in the Hungarian language. However, the management of Slovak Television wanted to abolish those broadcasts for two months. It

was only after mutual negotiations that we managed to prevent that. The use of the mother tongue in dealings with the authorities is also being understood "peculiarly" in some places.

[Bogarova] In your election program you state that you want to push for the creation of cultural, educational, and territorial self-administration. Translated into plain language, this means autonomy. What do you understand by these forms of self-administration? Sometimes your goals are being interpreted as though you wanted to redraw the borders, annex southern Slovakia to Hungary, and the like.

[Bugar] I am grateful for the question. When we first started to speak about the demand for autonomy, we were branded as irredentists and chauvinists who are out to create Great Hungary. That is not true. The idea of self-administration, or autonomy, is not new. A year ago we had a meeting with Jan Carnogursky, chairman of the Christian Democratic Movement [KDH] and then prime minister, where we spoke about the creation of a model of autonomy in cultural and educational matters. We agreed to work out this model jointly as an example for other majority nations in Central and East Europe. We came to an agreement on some points. However, then came the KDH's split and the elections, so that we did not complete that project.

[Bogarova] What should educational and cultural self-administration be based on?

[Bugar] In our view, it would be good if the community directly controlled schools, for instance, since the community knows best what it needs and whether it has the funds for it. A law is needed for this, according to which the Hungarian minority, for example, would have a department at the Ministry of Education to deal with this issue. It would be linked to the ministry, since the ministry would determine the concept for training, etc. In democratic countries where they have a similar arrangement such a department has the right of veto. That is, if a minister wants to abolish something that applies to the minorities, the department chief has the right to reject the minister's decision. It would be good—if such self-administration were established—if this department, or some other institution, had the right to dispose of financial resources in accordance with the law. To put it simply: Financial resources designated for ethnic education and culture should be controlled by the minorities.

[Bogarova] What is your idea about territorial self-administration? Many points of friction could arise....

[Bugar] Not necessarily. We are concerned with self-administration from below, and we want the communities to create regional associations according to their needs. Regional self-administration should be supported by the law. Territorial self-administration could, in our view, be established by merging regions. This will not mean drawing a sharp line. There are other alternatives, but first we want to meet Movement for a Democratic

Slovakia representatives to familiarize them with our suggestions. Maybe we will reach agreement on something, maybe not....

[Bogarova] Your opponents say that by establishing territorial self-administration Slovakia's territorial structure would be disturbed.

[Bugar] That is not true. Today, regions are being created by joining districts together, which does not disturb the structure. This structure is disturbed by the newly prepared territorial division in a vertical direction in which new "districts" should comprise less than 10 to 20 percent of citizens of Hungarian nationality. This concept, prepared by former minister Pittner, would be disturbed by our concept—the establishment of territorial self-administration.

[Bogarova] Your demands for self-government belong to the sphere of collective rights and exceed the European standard and rights of observance that the CSFR Government has undertaken to observe.

[Bugar] At the moment, the CSFR guarantees something, yet it could guarantee even more. The CSFR signed the Copenhagen documents in which it is stated that the government and its bodies will meet the demands of minorities for establishing self-governing units, if they are in conformity with government policy. We have signed this. What kind of exceeding the standards are we talking about, then?

[Bogarova] However, the opponents of autonomy—autonomy as you are demanding—say that you are poised against the cohesion and territorial integrity of the Slovak Republic....

[Bugar] First, they should become familiar with our specific proposals. No one knows them, since no one was willing to share the negotiating table with us. We are citizens of the Slovak Republic, and we behave accordingly. We also contribute to our common coffers, meet our obligations, and we have the right to establish self-administration units. Why not? They will be created from below, and if they are accepted, they will be anchored in the law. We are living in Slovakia, and we expect the solution to our problems to come, in the first place, from the government and the Slovak National Council. Not from Austrians or Czechs.

[Bogarova] The Hungarian ethnic minority in Slovakia has representatives in four political parties, and other associations. Could you describe the Hungarian Christian Democratic Movement's attitude toward the Hungarian Civic Party, Coexistence, and the Hungarian People's Party? Why did you not succeed in establishing a joint election coalition with them (with the exception of Coexistence)?

[Bugar] We reached agreement, with the exception of the Hungarian Civic Party. The first disagreements arose when we wanted to establish not only a preelection, but also a postelection coalition. For the Hungarian Civic

Party the most important thing was to get into parliament—then, each party should go its own way. Together with Coexistence and the Hungarian People's Party we were saying that the rights of minorities can best be protected if we are in the opposition, while the Hungarian Civic Party argued that it would be best if we were in the government. Now, this issue has become immaterial, and we are still hoping that we can find a joint position on important issues, such as the constitution or other laws.

[Bogarova] Did the disagreement with the Hungarian Civic Party arise because this party does not favor the idea of establishing autonomy?

[Bugar] No. The Hungarian Civic Party first reacted to educational and cultural autonomy in a strange way. Now, it supports it, too. The Hungarian Civic Party builds on the principle of individuality, and the rights of the individual—we, on collective rights.

[Bogarova] How would you describe the draft Slovak constitution? What are your objections to it?

[Bugar] I must "praise" those who worked on this version. In the preamble it is written: "We the citizens of the Slovak Republic." A civic principle, finally! If this is the way they will continue, then we have, in fact, nothing to object to. However, there are other passages that we do not agree with. For instance, Section 6 says that the official language is Slovak, and the languages of the minorities may be used in official contacts if the law allows it. We would like the constitution to contain the right to use them, with the proviso that details would be given by a law. We have more comments, but we are going to discuss them first with Coexistence representatives and in the political clubs in the Slovak National Council.

[Bogarova] Even Prime Minister Meciar recently declared that minorities and their political parties have a role to play in Slovakia....

[Bugar] I am glad he said that. I claim that minorities, and that does not apply just to the Hungarian minority, can operate as a key to the gates of Europe. It is necessary to make use of this. As far as Hungary is concerned, our possibilities are rather good and we could therefore help improve mutual relations. We are not enemies of Slovakia and can do something for it. It is also in our interest that Slovakia become a member of the "Visegrad three." On the other hand, however, we would like to be given greater opportunities.

[Bogarova] But why do representatives of the "Hungarian" parties, and you personally, not protest against the creation of Slovakia's image abroad as a nationalistic country in which minority rights are being suppressed?

[Bugar] It is a fact that we made a big mistake by publishing our denials and statements only in the mass media that address citizens of Hungarian nationality.

We want to set this right by organizing regular news conferences open to all reporters.

[Bogarova] You put on a resentful face as soon as the very term reciprocity is mentioned. Why?

[Bugar] That is easy to explain. For example, the Hungarian Government has approved and submitted to parliament a so-called code of rights and minorities living in the Hungarian Republic. It comprises more rights than the Slovak constitution now being drafted. I do not know in which form the code will be approved by parliament and do not even take an interest in it. We do not want to be in a situation in which we will have to bear the consequences for what minorities abroad gain or lose. After all, there exists a qualitative and quantitative difference between Hungary on the one hand and Slovakia or the CSFR on the other. We pay our taxes here regardless of what happens beyond the Czechoslovak borders. It is here that our problems must be solved. The prosperity of a minority abroad does not depend on the Hungarian minority in Slovakia.

SDL's Fogas on Slovak Sovereignty Declaration

92CH0760A Bratislava NARODNA OBRODA in Slovak
27 Jun 92 pp 1, 13

[Interview with Lubomir Fogas, Party of the Democratic Left, by Alena Melicharkova; place and date not given: "Political Document or Constitutional Law?"]

[Text] *The second largest parliamentary party in Slovakia is the Party of the Democratic Left [SDL], which will undoubtedly carry great weight in the process of upcoming SNR [Slovak National Council] deliberations on sovereignty. In this context we asked Assistant Prof. Lubomir Fogas for an interview.*

[Melicharkova] If SDL takes a positive stand on the sovereignty proposal, what kind of sovereignty is it to be?

[Fogas] The issue of sovereignty can be resolved in two forms. One is by drafting and adopting a political document. That would be a SNR declaration to the effect that the Slovak Republic [SR] is a sovereign state of the Slovak nation, national minorities and ethnic communities living on its territory. It is precisely these subjects in whom such sovereignty is embodied. But at the same time another solution is possible: expressing sovereignty by means of a constitutional act. In both cases it is of course necessary to also spell out subsequent steps.

[Melicharkova] Which ones specifically do you have in mind?

[Fogas] If the political document is chosen, it would be fitting to simultaneously state by what time a Slovak Republic constitution will be adopted, when a treaty with the Czech Republic should be concluded. Also at the same time one would have to make clearly understandable how this political document relates to laws

presently in force. Actually, this would also predesignate the way to resolve a legal dualism which might possibly arise. Of course only subsequent to the adoption of certain constitutional laws. If we assume sovereignty by way of a constitutional act, this in my opinion would be the method helping us to resolve all four basic problems affecting relations with the Czech Republic: the problem of sovereignty of the republics, continuity in subsequent developments, republican constitutions, and the treaty principle, which alas is not anchored in our constitution. A constitutional act might provide a framework for adopting all these documents. We would welcome it if these steps were being undertaken simultaneously also in the Czech Republic.

[Melicharkova] But let us return to which solution is preferred by the SDL?

[Fogas] SDL regards constitutionality as one of the most important principles. After all, even the change in our country's political system was carried out on the basis of legality as a principle. All steps were undertaken only after the adoption of specific laws. We believe that this is fundamental in order to avoid anarchy and chaos here. Therefore I think it more propitious to assume sovereignty in the form of a constitutional act setting forth the terms for adopting a SR constitution and arranging Czech-Slovak relations. This is of course a working title.

[Melicharkova] What should this act look like, what should it contain?

[Fogas] The first part should outline the fundamentals of the constitutional order in Slovakia. We would declare sovereignty, affirm the parliamentary form of government in the SR and its characterization as a democratic state. We would address the issue of SR citizenship, securing state borders and at the same time this constitutional act should contain language on safeguards in the area of fundamental human rights and civic liberties. I believe that it also could provide room for saying what of the present constitutional order it regards as important enough to be preserved also in a future Slovak constitution. What I have in mind includes such important matters as the plurality of forms of ownership or safeguarding pluralism in the political system.

[Melicharkova] Yet here we are in a single state, two republics which will live in one way or another next to each other, whether or not someone pays notice....

[Fogas] In its second part the constitutional act could address the relationship to the Czech Republic. This would not be something unusual. For instance Article XII of the French Constitution lists specific powers which the French Republic would be willing to surrender in the event a certain community is formed. So this constitutional act too might express what are the common interests of the republics. Obviously we would see anchored there provisions on joint conduct of affairs in the realm of finances, defense, foreign relations, and possibly others on which we would agree. At the same

time it would have to be stated what structure the common state should have, and how its executive bodies should be structured.

[Melicharkova] One hears especially from the Czech side, but there are also Slovak voices fearing the unconstitutionality of this step and legal chaos....

[Fogas] It would be most welcome if all the steps to be taken are carried out after mutual political agreement. Everywhere in the world it is so that political talks take place, resulting in certain agreements on the basis of which laws are passed in the parliaments. In our country, alas, we proceeded the other way around during the past two years. First a law was adopted, and only then one looked for political forces which would support it. It is my belief that this time it will be according to the tradition in other democratic countries.

[Melicharkova] Evidently it will also be a matter of a broader political accord.

[Fogas] To tell you honestly, SDL representatives have held talks on the possibility of adopting a constitutional act which would address the method adopting a SR constitution as well as the issue of mutual relations with the Czech Republic with representatives of Czech political parties, and this proposal was not turned down. Presently it is under study by a number of political groupings and I believe that it could be a sort of a focal step which might actually define a framework for subsequent talks and at the same time serve as a regulator of sorts in further talks.

[Melicharkova] At issue however is also the question of being a subject of international law....

[Fogas] If we adopt a political document on sovereignty we will achieve a certain kind of visibility for the SR, we will tell that we exist. In terms of international law nothing at all will happen. Let us note that subjectivity under international law is often interpreted with a different content than properly belongs to it. It is a state's ability to act according to international law. It is not true that de facto or complete subjectivity under international law must always mean an independent state. In fact, even in today's conditions CSFR may not conclude certain treaties without consent of the republics. We know even such situations in international law where member states may conclude international treaties of a certain kind while the composite state also has a precisely defined area of action. So it depends on how we manage to resolve these matters in relation to the Czech Republic. I believe that it is conditioned on the specific content of a treaty and conclusion of which is envisioned in the program of HZDS [Movement for a Democratic Slovakia] as well as our own and I think not ruled out in the SNS [Slovak National Party] program, envisioned also in the KDH [Christian Democratic Movement] program. So the treaty could serve as a kind of a convergence point in future talks.

[Melicharkova] In recent days there was reportedly a meeting of experts on drafting a SR constitution.

[Fogas] Yes, it was in Trencianske Teplice. I assume that the work will go on successfully.

[Melicharkova] And how far have the experts got?

[Fogas] We are about midway, it is of course something of a first reading of a reedited text of the SR constitution. It will require adding to it an expository report, it will have to be debated by political councils of the individual political parties. I don't dare estimate when we manage to complete the text but we will try to do so in the shortest possible time. I want to emphasize that it involves continuation of work on a text which is already known to society from public discussion.

[Melicharkova] The HZDS chairman has let it be known that the SR constitution ought to be adopted by the end of August....

[Fogas] HZDS has it in its program but I believe that there will be more discussion, not only among ourselves but among all the parties in the Slovak parliament because the constitution should unite rather than divide us. I think that other parties should have a say in this, not only HZDS but also SNS, SDL, KDH, MKDH [Hungarian Christian Democratic Movement], and Coexistence.

[Melicharkova] There is already loud talk about particularly the Hungarian minority aspiring to some kind of autonomy, cultural, educational, and reportedly even territorial....

[Fogas] The SR constitution will safeguard minority rights minimally on the level of international standards. Insofar as a possible territorial self-government is concerned, the SR constitution draft does not envisage creation of such a region. It does however envision local communities joining in associations and establishing a kind of a second level of self-government bodies. It is possible that within the framework of this second level local communities throughout Slovakia may join in associations. Hence it is possible that such associations may emerge, say, in the southern regions, of course within the framework of the new territorial redistricting. This is not autonomy but rather a broader form of association of self-governing territorial units.

Margita Meciar, Livia Klaus Talk About Husbands

92CH0817A Bratislava NARODNA OBRODA in Slovak
3 Jul 92 p 5

[Interview with Vladimir Meciar's wife, Margita, by Jan Bauer in Bratislava, and interview with Vaclav Klaus' wife, Livia, by Branislav Janik at the Economic Institute of the Czechoslovak Academy of Science; dates not given]

[Text]

Everything Must Be Explained....

From the terrace of the Arkadia cafe under the Bratislava castle there is a unique view of the Martin House Tower, old walls and roofs, high-rise apartment buildings in the distance, and the silver ribbon of the Danube sparkling in the sun. I sat across from a very pleasant, elegant woman in a simple summer print dress, and listened to her talk.

[Meciar] I became acquainted with my husband by chance in Trencin, and we liked each other from the beginning. At that time he was still working in Bratislava, but later he had to leave; nobody wanted to employ him, so in the end he took a job in the steel plant in Dubnice nad Vahom in a three-shift operation. We were already married then.

[Bauer] What did people say about a marriage between a physician and a laborer? (Dr. Margita Meciarova)

[Meciar] You can imagine the talk which goes around, especially in a small town. But one has to rise above it.

[Bauer] What is Vladimir Meciar like in private? How does he relax after a day of big politics?

[Meciar] There can be no talk about relaxation now because he has no time for it. When we still lived in Trencin he had the cottage and his studies. I also had to study, but I was never able to concentrate as much as he could.

[Bauer] What do you admire about your husband?

[Meciar] His strong will to go after something that is meaningful, and then his attitude toward his family; although he does not have too much time now and usually comes home quite exhausted. The only bright moments were the Christmas and Easter holidays, which we spent together at the cottage.

[Bauer] Which one of the family does he listen to?

[Meciar] Our three children. Sons Michal and Vladimir, and most of all our youngest, 14-year-old daughter Magdalena. She is his favorite, and she can always get around him.

[Bauer] What do your children do?

[Meciar] One son is studying medicine, the other electrical engineering, and our daughter will start high school in the fall.

[Bauer] Does your husband have some other hobbies besides politics and the cottage, on which, as far as I know, he did a lot of work last summer?

[Meciar] If time permits, he likes to read a lot—almost anything he gets his hands on. Most of all he likes detective stories and historical novels.

[Bauer] Does he help you with housework? Maybe with cooking?

[Meciar] With this question I always think of the time when in 1985 I was to go to Libya to work there as a physician. The children were asking for how long it would be. When I told them it would be for two years minimum, they begged me: "Mother, don't go. We could not stand having scrambled or soft-boiled eggs every day."

[Bauer] What was it like for you to become the wife of a politician? Did you lose your privacy?

[Meciar] I don't believe that people have totally invaded my private life. Mostly they behave toward me as before. If you remain modest and natural, and do not try to pretend to be more than what you are, then people around you will treat you quite normally.

[Bauer] How did you live through the time when your husband was recalled from his post as prime minister of Slovakia?

[Meciar] It was very bad. I cannot think of anything quite as unfair as that. By the way, a short time before that we got a three-room apartment in Bratislava where we live to this day.

[Bauer] Do you have any reservations about some of your husband's former colleagues from the Public Against Violence movement?

[Meciar] Yes, I have. Some of them behaved very badly, but I would rather not talk about it.

[Bauer] How did you put up with all the slander that was heaped on Vladimir Meciar's head?

[Meciar] Those people who are acquainted with him and know what he is like had their explanation for that slander and thought it malicious. And those who do not know us certainly will form their own opinion. Personally, I must admit that at one point I was in such a state that I wanted to go on television and bawl everybody out. But then I calmed down.

[Bauer] How did your colleagues at work behave toward you after those attacks?

[Meciar] Mostly they tried to show me their sympathy.

[Bauer] Don't you sometimes chide your husband that if he perhaps had kept some of his statements to himself, everything could have been different?

[Meciar] Yes, of course. But it is hard to say if it has any effect. Although wives tend to be the biggest critics of their husbands, they are also the critics who are listened to the least.

[Bauer] Which Czech politician do you find most sympathetic?

[Meciar] I cannot help it, but I find Professor Komarek to be the most sympathetic.

[Bauer] In your opinion, what will be the fate of our state? Do you have some wish in that respect?

[Meciar] I wish that we could better understand each other. From the Czech side, unfortunately, we often hear that Slovaks run hot and cold, that they do not have enough self-confidence. I do not think that is altogether true. There are many very good people among the Slovaks who have achieved much, but they do not have the opportunity to be seen. Most of all, I wish that we could live in a common state, that Czecho-Slovakia would not break up. I wish that people would be more content, and endure the period of hard times that will certainly come.

Life With Him Is Difficult....

Politicians' wives—if what we used to have were indeed politicians—were supertaboo until November 1989. They did not exist. Today you will meet them in the subway (as happened to me with the wife of former Prime Minister Jirina Calfova), in the streetcar (as happens to those who recognize Livia Klausova when she is returning home), they are at the side of their husbands at receptions, audiences, and meetings. Do you envy them? I don't.... That feeling was confirmed after my talk with Eng. Livia Klausova, CSc., with whom I spent a pleasant afternoon in room No. 306 in the Economic Institute of the Czechoslovak Academy of Science, where she has been working since 1968.

[Janik] We are talking in Slovak, is it true, then, that you were born and lived for a short time in Bratislava?

[Klaus] My parents lived in Bratislava, where I was also born. They were both Slovaks, mother came from the beautiful Liptov, in Bobrovec. Indeed, that is why in Slovakia, the place where I feel most at home is not Bratislava. We only lived there for two years after I was born, somewhere on Dostoyevsky street. Such a place, my home in Slovakia, is Liptov. There are five siblings, but almost all of us were born somewhere else; one sister and brother in Presov, the oldest sister in Bratislava, same as I, and another sister in Prague, where my parents moved after the war to work.

[Janik] As I know, in 1961 you began studying a rather exclusive subject at the School of Economics—foreign trade. You must therefore have had your fill of the political economy of socialism or Marxism-Leninism during your studies....

[Klaus] Of course. But I always say that I was born at the right time, because in the second half of the sixties one could sense some loosening up. Much depended on who your teacher was, who gave the lectures, how he presented the subject, whether he spoke between the lines, and what sources he recommended to us. A great plus was also the fact that languages were taught—French, Russian, English.... We also were able to travel.

[Janik] You met your future husband at the school. What drew you to him? By the way, when you talk about him you call him Klaus. Why?

[Klaus] The children are annoyed by it, and I really don't know why I call him that, but he, too, calls me Klaus-ova.... I was in the second year, Klaus in the fifth, and we both attended an elective course in Spanish together where neither one of us learned very much. It is hard to say what drew me to Klaus. Perhaps the fact that he acted so self-confidently, and because he was a witty and pleasant companion.

[Janik] When did you have your first date?

[Klaus] That took a long time. At first he just used to walk to the streetcar stop with me. He was always away. He used to play basketball, and had lots of interests. We were going together for a long time. The wedding took place six years later, in July 1968.

[Janik] Do you remember how he introduced you to his family, when he asked for your hand, if of course Vaclav Klaus paid attention to such customs at all?

[Klaus] Well, first we quickly made the rounds of his family and relatives. He is from Prague, so it was not very complicated. He did not want to ask for my hand; he did not set much store by such ceremonies. At that time I was already working, after a year with Centrotex, here at the Economic Institute, which was under the leadership of Ota Sik. My subject was international finances. Klaus also worked here. Immediately after the wedding I left for a year of studies in the Netherlands, and my husband of six months to the United States.

[Janik] You left after August 1968. Didn't you both think about not returning to Czecho-Slovakia again?

[Klaus] Maybe it is a paradox, but it never occurred to us. It was just that the new leadership of the Institute fired my husband, and then he got a job at the Obvod branch of the Czechoslovak State Bank in Prague 1. But he worked his way up in the bank, and was later assigned to its central office.

[Janik] And you are still working in the same field?

[Klaus] Basically yes, although today it is much broader. I am the head of a small team concerned with monetary policy, and I work on issues dealing with IMF.

[Janik] Until November you actually lived a normal life of ordinary citizens, but after that there was an enormous change. No doubt people's attitudes toward you were also changing from day to day—you were no longer engineer Klausova, but the wife of "that" Vaclav Klaus....

[Klaus] It is difficult to generalize. There are people who never changed at all, either in our building, or in my workplace.... And there are those who all of a sudden discovered that they could somehow profit by it, or at least they thought they could.

[Janik] What annoys you about your husband? After all, you have been together for almost quarter of a century.

[Klaus] (Thinking for a long, long time)...He is a great perfectionist, and sometimes it makes me mad that I can only rarely catch him at fault. I think that Klaus's perfectionism is also what bothers his political opponents the most.

[Janik] And what do you like about him?

[Klaus] His relationship with both of our sons, Vaclav and Jan.

[Janik] Were you able to deal with that change, that intrusion into your family life and your privacy?

[Klaus] It is much worse than I expected. One practically loses one's privacy, and always lives in view of other people. The children have a difficult time with it, and for a wife it is even worse.

[Janik] You are with him. Can you tell me how he manages to do everything?

[Klaus] Klaus himself says that life is divided only between work and sleep. He can concentrate very quickly, he can relax for just a few minutes and then tackle something else, which is something I cannot do.

[Janik] Do you still have some family life?

[Klaus] Unfortunately, we don't have time even to have a normal conversation. We have a discussion about what will happen to interest rates, about negotiations with Meciar. Our family life is dominated by politics and economics.

[Janik] You mentioned your sons, and their father's relationship with them. What do they do?

[Klaus] The older one, 22-year-old Vaclav, is studying geography and mathematics at the Department of Natural History at Charles University, and the younger one, 17-year-old Jan, is in high school.

[Janik] No doubt you know about all the gossip—you own two Renaults, you are building a villa in a neighborhood of millionaires....

[Klaus] The Renault belongs to the Ministry of Finance, and Klaus can use it when he travels by himself, which has happened several times. We have a Skoda 125, before that we had a Trabant. We have not been to our cottage in southern Bohemia for I don't know how long, maybe five times since November 1989. I don't know when we shall get our leave, maybe Klaus can tell you that. And the villa? We still live in Prosek in Ceskolipska Street, three rooms—15, 10, and six square meters, with an open gallery and kitchen. But we were also supposed to have already bought the Zbiroh chateau in addition to all those villas.

[Janik] Does it ever happen that you get bored in the company of your husband?

[Klaus] No, no.... Can you imagine anyone being bored in Klaus' company?

[Janik] Mrs. Klaus, is there something for which we can envy you?

[Klaus] I think that only those who cannot imagine the hidden side of this life are envious.

[Janik] What is your life with Vaclav Klaus like?

[Klaus] Difficult. Interesting. Full of commotion. But life with Klaus was always like that.

[Janik] This interview will in fact be a double interview. Together with you, we are also interviewing Mrs. Margita Meciarova. I would be interested to know if you two have already met?

[Klaus] Some time ago, when Meciar was the Slovak prime minister, the president's wife, Mrs. Olga Havlova, arranged a get-together for the wives of politicians. We met at this tea party, and I believe we liked each other, although at first we did not know who was who, and we introduced ourselves only during the photo session.

[Janik] And what about the most pressing question of these days—the future of the common state?

[Klaus] I would prefer not to discuss politics. For that, I, as well as Mrs. Meciar, have my husband.

Labor Code Amendment on Moonlighting Viewed
92CH0757A Prague EKONOM in Czech No 26,
2 Jul 92 p 57

[Article by Ladislav Jouza, attorney: "The Entrepreneur and the Law—Amendment of the Labor Code and Secondary Gainful Employment"]

[Text] *Entrepreneurial activity is expanding, frequently in an undesirable direction. The majority of private entrepreneurs are employed and engage in their entrepreneurial activities outside of their employment. Very frequently, use is made of findings, information, and work results achieved as a result of working in the regular employment status, or one's position within an organization is possibly misused in other ways (accepting orders for one's own account, and so forth).*

To solve the situation which has arisen, the existing legal provisions, which were adopted during the last amendment of the Labor Code of 1 February 1991, according to which employees are obligated to properly manage the resources entrusted to them by the organization and to guard and protect the property of the organization against damage, loss, destruction, and misuse, and not to undertake actions which conflict with the justified interests of the organization, are proving to be inadequate. In view of the fact that according to Article 26, Paragraphs 1 and 2, of the List of Basic Rights and Freedoms, everyone has the right to engage in entrepreneurial activities and to be involved in another economic

activity and, according to which, only the law can set the conditions for the conducting of certain professions or activities, the amendment of the Labor Code introduces a limiting modification. It was called for even by employing organizations on the basis of findings regarding the secondary earnings activities of their employees who were being legally employed by other organizations and who had employee/employer relationships with entrepreneurs, as well as those who were in private business. The amended Labor Code applies as of the time it is published in SBIRKA ZAKONU, which is as of 29 May 1992 (Law No. 231/1992 Sb. [Collection of Laws]).

According to Section 75, Paragraph 1, employees may, in addition to their employment, governed by their legal employment relationship, engage in secondary employment activity which coincides with the objective of activities of the organization in which they are employed only with that organization's prior written approval. The employer may withdraw this approval in writing at any time. The employee is then obligated, without undue delay, to terminate his secondary earnings activities by a method prescribed by the appropriate legal regulations for terminating such activity. The absolute prohibition of engaging in entrepreneurial activities applies to managers of organizations and those management employees directly engaged in management (Section 75, Paragraph 3). However, such limitations do not apply to the conduct of scientific, pedagogic, publicistic, literary, and artistic activities (Paragraph 4).

Earnings activities can include even secondary employment or possibly even agreements on work accomplished outside of the employment status (agreements on work activities and agreements on the execution of work). Naturally, this activity can also include private business activities in the sense of the small business law. That law defines engagement in entrepreneurial activities, or possibly in small business as a consistent activity conducted independently, in one's own name, at one's own responsibility, and for purposes of achieving gain. What is important is particularly the fact that such activities are:

- Independent activities (not an activity which is organized and directly controlled by the person for whom it is undertaken).
- Carried out in one's own name (in other words, this is not an activity during which a certain person does not act in their own name, but in the name of another person).
- Carried out on one's own responsibility (in other words, is not an activity during which the appropriate person does not bear the legal property consequences which are particularly based on the activity being carried out with respect to third persons).

From this, it is clear that an employee needs approval to engage in entrepreneurial activities if his secondary earnings activity, in which he engages after his principal employment, coincides with the objective of the activities of the organization. If an employee of a construction

firm is interested in working in a secondary employment capacity after finishing his principal employment or is interested in working as a tile setter, a mason, or in another construction trade on the basis of a small business permit, he will require the written approval of his employer. If he would like to work in another trade which does not coincide with the object of the activities of his employer, the approval is not needed. It is not even needed for doing work in the scientific, artistic, publicistic, literary, and pedagogic fields.

All employees subject to the above prohibition are obliged to request that their employer grant them approval to engage in that activity which coincides with the objective of the activities of the organization. The employer is obligated to notify the employee in writing, within one month from the date of the request, whether he is granting his approval or not. If the employee does not receive approval or if an employee has not requested approval, he is obligated to terminate such activity, without undue delay, by a method outlined in the appropriate legal regulations, provided he has not taken legal action aimed at terminating his employee status in the organization in which he is employed. In other words, he must, for example, terminate his secondary employment by giving notice or by ceasing to engage in private business or he must give notice terminating his employment status with his principal employer. In the event the employing organization does not take a written position with regard to the request submitted by the employee within the stipulated time limit, it is considered to have granted its approval for such an activity.

Complications can arise if the employee disregards the instructions of the employer and does not request approval for his secondary earnings activities and continues to engage in that activity nevertheless. Then he is in violation of work discipline because he ignored the directive of the employer and leaves himself open to possible sanctions, for example, the termination of his employment status for having violated work discipline.

The above principles apply not only to employees in state enterprises, offices, budgetary or contributory organizations, but also to private entrepreneurs. Even their employees are obligated to adhere to the new prohibitions governing earnings activities and if they would want to engage in entrepreneurial activity which coincides with the activities of a private firm by which they are employed, they are required to have the prior written approval of the private entrepreneur or the statutory representative of a commercial corporation (for corporations, this is the board of directors, and for corporations with limited liability, it is the agent).

The managers of organizations and management employees directly engaged in management activities are worse off. If, by the effective date of the amendment of the Labor Code, they are engaged or were engaged in an activity which coincides with the objective of activities of the organization in which they are employed in

addition to their employment, they are obligated, following the effective date of the amendment, to terminate such activities without undue delay, provided they have not terminated their principal employment status.

Purpose of Privatization Fund Explained

92CH0757B Prague HOSPODARSKE NOVINY
in Czech 19 Jun 92 pp 1, 3

[Interview with Eng. Jan Princ, deputy chairman of the Fund of National Property of the Czech Republic, by Dana Dvorakova and Blanka Ruzickova; place and date not given: "The Worries of the Largest Stockholder—The Task of the Fund Is Not To Hold Property Longer Than Is Necessary"]

[Text] *The Fund of National Property of the Czech Republic is and will be the temporary owner of the securities of privatized Czech and Moravian enterprises. These will be enterprises destined to be listed for coupon privatization, as well as those which will be transferred into private hands by one of the standard methods.*

[HOSPODARSKE NOVINY] Even though this role for the largest Czech stockholder is temporary, we would be interested in how the fund will share in the management of "its" enterprises.

[Princ] First I would like to say that we are obligated to handle the privatization project in the manner in which it was approved. This means that the task of the fund is to not hold property longer than is necessary. On the other hand, however, a number of privatization projects which were approved contain provisions for the Fund of National Property to exercise the rights of a stockholder for a certain period of time and to essentially protect some of the justified interests of the state. In such cases, the fund will actually make use of the provision under which its employees, or any legal or physical entity empowered by them, will exercise the rights of a stockholder in their behalf or will share in the direction of the corporation.

[HOSPODARSKE NOVINY] In which cases will the fund continue to hold a large "packet" of securities even after the end of coupon privatization and after transfers done by standard methods?

[Princ] The fund will retain primarily those securities which were proposed for transfer to monetary institutions and also a portion of the securities subject to option rights. Furthermore, it is necessary to anticipate that the fund will have those securities which are destined for direct sale to investors through financial institutions. The fund will have to hold them until such time someone takes on the selling of these securities. We already have preliminary agreements with some banks and other institutions. Because we now have certain obligations which resulted from the issuance of bonds to retire the debts and to recapitalize the banks, it is possible to estimate that these obligations will be met by offering stock certificates. In such a case, we would offer the

banks a sort of cocktail of the stock certificates of various enterprises. In the event a portion of the stock certificates are not sold during the first wave of coupon privatization, the offering will most likely be repeated in the second wave. Naturally, this means that this property will be administered by us until that time. I do not believe, however, that a significant share of the securities will be involved.

[HOSPODARSKE NOVINY] Even if the fund were successful in smoothly and rapidly "passing off" stock certificates which it now owns for coupons, it will remain as the sole stockholder at least until the time the first general assemblies of enterprises are held. And these will most likely not meet any earlier than the end of the year....

[Princ] It is understandable that this responsibility and these obligations which fall on the shoulders of a single stockholder are great. That is why we have a certain agreement with the Czech Ministry of Industry, the Ministry of Commerce, and that is why we have negotiated even with the Association of Entrepreneurs regarding some employees whom we could entrust with carrying out the rights of stockholders for the fund. We are now preparing methodological directions or, let us say, a handle for the conduct of our representative at general assemblies. We are being assisted in this by foreign experts who have experience, which involves even experience regarding the work of oversight councils. The instructions will outline the rights of these employees as well. For example, they will specify the extent to which they can represent the fund without prior consultation and will outline the topics on which they must seek prior consultation.

[HOSPODARSKE NOVINY] What specific tasks will the fund, therefore, have prior to the first general assembly?

[Princ] I am aware of the fact that we must get through those 957 general assemblies (in the first wave of privatization, 957 corporations are to be privatized), which will be registering (or will be requesting registration) and which will be approving the property arrangements according to the latest accounting balance sheet. Secondly, we will be presenting proposals for modifying the statutes, for example, in corporations which have demanded stock certificates with certain special titles (so-called countersecurities). Another matter on which we are counting is the augmentation or change of management organs of enterprises in justified cases and involving the long-term participation of the fund.

[HOSPODARSKE NOVINY] Does the fund have sufficient capacity at all for such tasks?

[Princ] We should have our representative in the management organs and particularly in the oversight councils of those enterprises in which the long-term participation of the fund as a stockholder is being contemplated. We

intend to staff these positions with employees of the fund or with individuals who are experienced in the execution of these funds. In the case of "temporary" and short-term ownership, we expect that we shall attempt to find a certain corporation which could act in our behalf in these functions over the essentially short period.

[HOSPODARSKE NOVINY] Would the possible partition of the state have any impact on the management of the fund?

[Princ] That would depend on the adopted measures which would provide technical assurance with respect to partition of the state.

Perspectives on Value-Added Tax Presented

Benefits of Tax

92EP0604A Warsaw *PRAWO I ZYCIE* in Polish
No 31, 1 Aug 92 p 15

[Article by Andrzej W. Malachowski: "Is the Value-Added Tax Good for Everything? Getting Closer to the EEC Demands Changing the Entire Taxation System"]

[Text] According to Krzysztof Strykier, a private businessman and the owner of the firm DAB Poland, Inc., the Polish system of taxation has committed four basic serious sins: In the first place, the entire taxation law is too lenient and, in many cases, is subject to free interpretation. In the second place, taxes are not the same for all economic organizational units. In the third place, the system is fiscally based and is becoming a way for collecting money from citizens and enterprises, but it is not an element of economic policy stimulating and directing its development. Finally, in the fourth place, the income tax structure is faulty. The amount of income tax does not depend upon the real profit of the taxpayer, i.e., it does not take into account the costs of obtaining this profit or it considers these costs only minimally.

Moreover, the Polish taxation system contains a series of devices in the form of a turnover tax paid by all successive participants in the production process. This is causing a tremendous increase in the price of the specific product (this has an impact on demand and, thus, on enterprise profit) or on the border tax paid on so-called duty value, which is a kind of crediting of the budget by importers. This tax is paid before the sale of an imported item; thus, it is paid well before the importer receives any profit.

Generally it may be stated that the amount of taxes imposed in Poland has exceeded the so-called Laffer point, beyond which point economic activity and, consequently, the payment of taxes, stops being profitable or exceeds the potential of the taxpayer. This effect, which overlaps other factors (the disappearance of the Eastern procurement markets, the high interest rate on credit and the like) is contributing to the collapse of both private and state firms. The state, or rather, the budget, is losing based on the old saying that the greedy lose twice.

The taxation systems of EEC countries were developed over centuries. Thus, in the opinion of Krzysztof Strykier, we should not invent something completely new, but we should adopt Western regulations, if necessary adapting them to the present state of the economy.

As Werner F. Zimni, co-owner of a large industrial-trade holding company from Kassel (with turnovers of 1.5 billion German marks), observes, the accepted taxation system in the Federal Republic of Germany is clear and leaves no room for doubts. If any controversies arise between taxpayers and the state treasury, these regard the amount of rates and not the general principles of

operation of the system. In the FRG, the entrepreneur essentially pays only two taxes, a turnover tax and an income tax. Meanwhile, these taxes are quite different from the taxes of the same name in Poland.

The turnover tax is paid on a turnover or, up to the limit of 1 percent, on the capital involved in economic activity. For example, if a specific sum of money must be invested to activate some sort of production or to initiate trade activity, a tax is paid on this sum. The entrepreneur or the enterprise produces this sum at the end of the year. However, firms which have obtained the necessary capital in the form of credit (on which they pay interest) and not from their own sources, i.e., from accumulated capital, do not pay a turnover tax.

The income tax paid both by firms and by citizens also functions differently in these countries in practice than it does in Poland. As in Poland, it is a progressive tax (i.e., the amount of the assessment increases in proportion to the amount of income obtained) and it is, at first glance, even "greedier" than Poland's income tax. The maximum income tax rate in Germany is 65 percent for enterprises and 53 percent for physical persons; in the case of individuals, it is paid likewise on income issuing from dividends. In some countries, it is paid on accumulated savings and the like, i.e., on all sources of independent income. However, the principle is such that the combined tax cannot exceed 53 percent in this case. This also happens in the case of single-person firms (for example, a private medical practice) in which the firm's income is, at the same time, the income of its owner.

Thus, it may be said that the Germans pay many taxes. At least that is what they believe. But do they really pay more than the Poles, for example?

"The amount of interest is important both for the capitalist and for the private citizen," says Krzysztof Strykier. "Nonetheless, the level at which interest begins to be added is important. In order to achieve a given profit, various costs must first be borne. And in Germany that is taken into account, while in Poland it is taken into account only minimally."

This takes the following shape in practice: Both enterprises and private citizens in their tax statements take into account the cost of obtaining income. Thus, it can happen that an enterprise which earmarks its entire profit for investments, i.e., for its own development, pays practically no income tax. The ordinary citizen, on the other hand, may include in his costs, for example, the purchase of various articles without which he would not be able to conduct his professional activity as effectively so as to obtain a given profit. In our case, for example, as journalists, this may be the cost of purchasing specific literature, a computer and, in many cases, even an elegant suit or dinner jacket. All this is precisely controlled by regulations, but also by the common sense of the financial institutions which control the flow of taxes.

Of course, such exemptions exist in Poland as well, but they are either automatic (in the case of honorariums it

is essentially recognized that the cost of obtaining the honorarium is half the sum of the honorarium) or they encompass only narrow fields (for example, the repair or construction of a house). Meanwhile, they do not cover quite fundamental elements of economic activity, such as, for example, investing in various purchases for the development of a firm, or, for example, utilization costs.

As noted previously, the value-added tax [VAT] is an excellent source of income for the state budget. At the same time, it is a just imposition of the tax burden on citizens (he who purchases more things and more expensive things brings more money into the budget), but only when the economy is growing.

The introduction of the VAT during a recession or when society is being impoverished may readily cause people whose taxes are minimal because of their small incomes to pay a higher assessment. For they will pay these taxes with every purchase of such necessary items as bread, for example. If there is no relief regarding the prices of goods which have had various tax components to date, the introduction of the VAT will be reduced in practice primarily to a price increase amounting to the percentage rate of the new tax.

How does the VAT operate in Western countries and what impact does it have upon bringing income into the budget and upon the operation of the economy?

In the FRG, as in the other Western countries (in which only the percentages differ), the principle is accepted that 7 percent is paid on food items and 14 percent is paid on all other items, including services, restaurant checks and the like. Thus, when we buy bread we add 7 percent to this price. We add the same amount when we buy flour if it is intended for consumption. However, when a baker makes the purchase to bake bread from this flour, he does not pay this tax. The principle is that in the production process the VAT is not paid for individual components. The tax is added on to the end of this process by the last participant in the process. This participant turns this money into the budget but he obtains the sum of the tax from the purchaser. Thus, the VAT has an impact on the ultimate (for the consumer) price of the product or the service, but it increases it only once by a percentage defined in advance and by law which does not depend upon the fantasies of treasury officials. The amount of the percentage may be changed only Parliament.

Another advantage of the VAT is ease in controlling the financial honesty of firms. VAT makes fraud very difficult, especially for expensive products which are complex to produce and which are made up of many components. Swindles become possible when several dozen coproducers agree to show smaller turnovers or when they have put the VAT into their own pockets. In practice this is very difficult.

Under the existence of VAT, the financial control of individual firms boils down primarily to verifying that this tax is paid in according to regulations. This likewise

gives a picture of the turnovers of a firm and its profits. This facilitates control by financial organs of the entire activity of firms, control of conformity with regulations of the income tax paid in and the like.

VAT is likewise a stimulator of export because the sum of this tax is recovered in the export of purchased goods.

Let us emphasize in conclusion that the VAT likewise may be useful in Poland, but only if the other elements of the entire system become Europeanized (which must take place anyway if we want to associate ourselves with the EEC). It is easy to imagine that Polish legislators will face a serious dilemma regarding how to model this system. For example, will restricting the turnover tax or the border tax or changing the principles of adding an income tax cause a radical reduction in budgetary income? And how long will it take for the reduction in fiscal stringency to bring about economic revitalization and, thus, more money from taxes?

Calculation Defined

92EP0604B Warsaw *PRAWO I ZYCIE* in Polish
No 31, 1 Aug 92 p 15

[Article by K.M.: "A Contagious Tax: How Should the Value-Added Tax Be Computed?"]

[Text] Professor Danuta Gotz-Kozierkiewicz from the Institute of Finance once told me that the value-added tax [VAT] is like a cold: Sooner or later everyone gets it. And the economic shock therapy for our economy undoubtedly requires such an "illness" to return our economy to health.

The value-added tax, which we in Poland call a tax on goods and services, is known throughout the world as the VAT, which means precisely a tax on added value. It is a form of turnover tax, for the turnover, i.e., income on the sale of goods and services, is taxed.

For the state budget, the beauty of the VAT is primarily that it is a universal tax. Wherever any sort of buying-selling transaction is concluded and where the seller does this to earn money, the treasury lurks with its paw outstretched waiting to collect the given toll for such a transaction. Revenues from the value-added tax are a fairly good measure not only of the effectiveness of the treasury apparatus but likewise of the economic situation and of the consumer appetites of society. The more people engage in economic activity, the more the payers, the greater consumption, the greater the revenues.

For this reason as well the VAT is likewise called a consumption tax. Ultimately the consumer is encumbered by this tax. He pays it in the price of the item, although it is the seller who always pays it into the budget. The payers of the tax, however, always pay it on a portion of the value of an item which they will "add" during the production process.

The draft law provides for the legal regulations covering the excise tax as well. The excise tax is a special tax

which raises, by an amount or by a percentage, the value of an item. The VAT is calculated on this item.

Unfortunately, our draft law provides for imposing an excise tax on automobiles and on alcohol, tobacco products, gasoline, cigarette lighters, matches, and salt. The excise tax is used on items which have a so-called high rate of accumulation, i.e., those items whose turnover high income is due to high consumption or, for example, the weak reaction of this consumption to price. In some countries an excise tax is imposed on items whose consumption is high due to traditions or habits (for example, tea, coffee, and olive oil).

In our draft three VAT rates are projected: the basic rate of 22 percent, the reduced rate of 7 percent (processed food products, pharmaceuticals, products for children, construction materials and others) and the zero rate for export. The latter means that an item exported abroad gains a return of the taxed imposed. Most often this principle emanates from the need to avoid dual taxation. The country of designation most likely imposes a turnover tax on this item just as we do with regard to imported goods. Certain services and unprocessed foods will be exempt from the tax primarily because of the impossibility of imposing this tax on every egg or carrot.

Likewise, enterprises attaining specific turnovers will be exempt from the turnover tax. We shall write about this topic in an interview with Deputy Minister Modzelewski.

Why do state budgets like the VAT-type tax so much? Because it is their surest and largest source of income. It is independent of producer profits. It must be paid regardless of the profitability of production or services. The tax on corporate persons or firms, for example, is subject to many variations. A firm may be in operation with or without attaining minimal profits. Revenues from the income tax will then be moderate or nonexistent. However, with the VAT, they will be proportionate to turnovers.

The ideal VAT should have one rather small rate so as not to worsen the situation of producers or stifle demand. It ought to encompass all goods and services. We could introduce such a tax if we had not used any turnover taxes to date (this was so for a long time in the case of food items).

Unfortunately, the turnover tax used to date has reflected upon the existing price structure. All price movements, especially price movements upward, arouse society's displeasure and they are not only an economic problem but a social problem as well.

If, at present, instead of two rates (7 percent and 22 percent), we proposed one rate, for example a rate of 15 percent, we would experience a price revolution with its negative social consequences. Food prices would increase more and some prices of manufactured goods would perhaps drop or producer profits would increase. However, sharp food price movements are the most

dangerous thing for the demand for food is quite fixed, particularly for necessities. Here a price increase worsens the situation of producers while the populace is inclined to make wage demands. We also have become used to the taxation of food since May of this year when a 5-percent turnover tax was introduced.

How the tax revolution caused by the introduction of the VAT will impact prices is difficult to say. We discuss this and adaptive measures in an interview with Deputy Minister Modzelewski. Undoubtedly, there will be more problems with the introduction of this tax than even with the individual income tax. Nonetheless, it is indispensable for a moderately stable economic policy.

VAT Introduction Reasons

92EP0604C Warsaw PRAWO I ZYCIE in Polish
No 31, 1 Aug 92 p 14

Interview with Deputy Finance Minister Witold Modzelewski by Krystyna Milewska; place and date not given: "Becoming a Part of Europe via the Tax Route"]

[Text] [Milewska] Why are we introducing a tax on goods and services, a Polish version of the value-added tax, the VAT?

[Modzelewski] We are doing this primarily because the political assumption is to bring our taxation solutions into line with the systems used in the states of Western Europe. Another reason is the need to make universal the tax on turnovers. This kind of tax makes it possible for us to combine two important principles of tax policy: the principle of universality (the vast majority of transactions will be taxed and the taxpayers will be treated equally); in addition, this tax eliminates the vertical cumulative principle of the tax, which is in accordance with the principle of the neutrality of taxes. We are introducing the deduction of the tax paid by the supplier. The multi-phase, unrepeatable turnover tax essentially no longer exists in countries with a market economy.

[Milewska] Except for the United States....

[Modzelewski] But there it is essentially a single-phase tax which is similar to an excise-type tax. It is not true that the VAT is necessary for the operation of the market economy, but it is true that this tax occurs in the majority of developed countries with a market economy. This tax does not possess those qualities which would foster the development of the economy, but it does fulfill certain standards of tax policy. It is neutral in terms of profitability. One or two rates are used. Sometimes there are several rates, but the so-called basic rate, or the most broadly used rate, always occurs. In general this rate shapes up at a level of 12 percent or so. In Greece, for example, there is a basic rate of 18 percent, but a higher rate of 36 percent also exists.

[Milewska] As an excise tax?

[Modzelewski] No, an excise tax is something else entirely. And since we are talking about the excise tax, it

is merely a legislative coincidence that this tax appears in the same law as the VAT. VAT is not associated directly with the excise tax in the legislative sense.

[Milewska] But it is associated with the VAT in Poland, for the tax will be collected on the excise tax as well.

[Modzelewski] But that is the case everywhere. In Poland the excise tax is associated with the VAT because the regulations covering these two taxes are included in the same law. The majority of countries which use the VAT likewise use an excise-type tax. In general, the excise tax covers goods with a high rate of cumulation, or to put it in more straightforward language, this tax covers those goods which yield very high profits in trade in a given country. Generally the excise tax is associated with alcoholic products, tobacco products, and fuels. However, there are countries in which the list of goods covered by the excise tax amounts to several dozen items. A proposal which emanates from our cultural tradition has been made to place an excise tax on (not a high one) on matches and salt.

[Milewska] And on cars as well.

[Modzelewski] Such a proposal has also been made, but the reaction of the Sejm to this proposal is not yet known.

[Milewska] It is my understanding that the VAT will be in operation in every transaction.

[Modzelewski] That is the principle of universality.

[Milewska] But why are gifts taxed?

[Modzelewski] If they were not taxed, this would incline people to make bogus gift transactions.

[Milewska] But a tax is already paid on gifts.

[Modzelewski] But it has a narrower range. The VAT refers to the principle of the activity of the professional organizational unit, or that unit which is occupied professionally with economic activity. The tax on inheritances and gifts concerns incidental cases and depends upon the degree of blood relationship. In and of itself a gift cannot be the object of economic activity.

[Milewska] But I have in mind gifts for noble causes, such gifts which are exempt from the income tax up to 10 percent of income. If, next year, when the VAT will perhaps be already in effect, Jacek Kuron appeals to producers and merchants for food gifts to the SOS [School Social Therapy] Fund, then these philanthropists who want to donate processed food products to a children's camp will have to also pay a tax for their philanthropy!

[Modzelewski] The exemption in the income tax intended for the donation of a gift for preferred purposes (which are listed in the law) is, in my opinion, an adequate solution. The principle of the taxation system

is the noncumulation of exemptions. A multiplicity of exemptions covering the same situation is a poor solution.

[Milewska] But the person who donates his product has borne the costs of producing or purchasing the product. And he can no longer receive the return he would gain if he sold the item. And is he still ordered to pay a tax on this?

[Modzelewski] Let us be consistent. If he has borne certain costs and pays a turnover tax on this gift then he also obtains a return of the tax which he has paid in bearing these costs. For example, he produces televisions and has offered them to a cultural institution. He pays the VAT on the value of the gift. But remember that in buying raw and other materials or subassemblies he also pays a VAT which he will then deduct from the tax due him. If we did not collect the tax on the product which he offered then of course the deduction could not be taken. In this resides the next characteristic of the tax on goods and services. Only if I pay the tax on goods and services can I take advantage of the deduction of the tax paid to new suppliers of subassemblies, materials and the like. If I do not pay the tax, I make use of the exemption; therefore, I cannot use the deduction.

If I am a taxpayer and I sell an item for which the rate in effect is 22 percent, this in no way means that I am paying this 22 percent on the value of the sold item. I pay only the surplus tax due (as shown on the invoices) over those taxes which, according to calculations, my suppliers have paid based on their invoices. Thus, if I would not pay the tax, I could not deduct the tax paid by my suppliers or the tax I paid in the price of the items I purchased from them. When I passed on the gift, having not paid the portion of the tax on my "added value," I would pay the tax of my suppliers. And it could be that the tax exemption would worsen my situation.

This brings us to the matter of exemptions from paying the tax on goods and services. The law stipulates that those who attain turnovers of up to 600 million zlotys [Z] per annum do not have to pay the tax on goods and services. This may mean that a large portion of services—there where material costs are relatively low, for the renderer of services usually sells his own work but keeps a book of income and outgo—will not be subject to the tax. Would this apply to small consulting offices, to the writing of applications, to tailor's or shoemaker's shops?

The law automatically exempts income of up to Z600 million per annum from the payment of the tax. On the other hand those who attain turnovers of Z600 million to Z2 billion per year may apply for an exemption from paying this tax. At the same time it must be considered whether this is profitable. If the share of material costs of purchases is high, then the total exemption from the tax may not be profitable. But it is profitable when such value-added production, when the value produced by a given person's services, is relatively high in the final

price of this service. It may happen that someone conducting economic activity prefers to be taxed. That is the paradox of the tax on goods and on added value—sometimes it is worthwhile to be taxed!

In order to be exempt from paying the tax, one must submit an application. The application is effective if submitted during the first month of activity. Why have we exempted small economic organizational units from paying this tax? So as not to involve economic organizational units and the treasury apparatus excessively in this entire system of accounting and deductions.

It is true that the tax on goods and services gives preference to professionalism. Primarily those who keep honest records of buying and selling may take advantage of its merits.

[Milewska] Apropos of this keeping of reliable books—do you think that the introduction of a tax on goods and services may limit the somewhat gray zone of the economy?

[Modzelewski] That is not a matter of guesswork. It is one of the many theses which have been proven. In its structure, the VAT forces the honest carrying out of calculations. Above all, the purchaser is interested in obtaining an invoice from the supplier so that he can make deductions from the tax due based on the invoice. Moreover, it is not only this tax which limits the gray area. The introduction of housing deductions in the tax on individual income likewise increases the requirements to make an accounting of the work done in housing construction.

The tax on goods and services may be called regressive from the viewpoint of the purchaser. Doubtless, one of its merits is that it gives priority to notions of saving and investing.

[Milewska] How does one understand this?

[Modzelewski] Literally. If your monthly income is a certain amount and you spend every penny, then there is a turnover tax fixed into practically all of the goods and services you buy. Thus, a portion of your income goes for this tax. But if you are a thrifty person and you do not spend everything and you buy less, then your tax will be smaller, the money you have set aside in the bank is not taxed by this tax and also earns interest. If you own a company and purchase investment goods and do not spend the profits, then you will deduct the tax paid on the investment purchases from the tax due which is added from your sale of products or services.

[Milewska] You have listed the merits of this tax. What about its shortcomings? Its universal institution undoubtedly will evoke a certain price movement.

[Modzelewski] We have calculated this precisely. It should not be higher than 5 percent. But there are several critical points. If, at the time that the VAT is introduced, there is a obvious slackening of monetary policy, the effects of inflation may be higher. The same thing may

happen if competition is limited, for example, in the introduction of significant import restrictions. Nonetheless, a certain corrective of the percentage rate will be indispensable. The VAT will increase the requirement for credit. More means of turnover will be needed. And this, of course, will cause an increase in the costs of servicing credit and thus will generally impact the level of production costs. And it may either worsen the profitability of economic activity or it will cause an increase in prices. And it must be stated clearly: The interest rate must be lowered.

[Milewska] Is that the only problem?

[Modzelewski] No. The institution of the law on the tax on goods and services is the largest tax undertaking to date. We have prepared a detailed timetable of operations for the next 12 months. In this timetable, the matter of adjusting the percentage rate appears as a necessary condition for the success of the entire reform. A second such condition is the integration of all organs of the state administration which will be administered by the tax on goods and services and the excise tax. What is needed here? Taxation and treasury organs must be integrated from the technical, the organizational and the informational points of view.

[Milewska] Thank you for the interview.

Economic Trends, Consumer Optimism Up in Jul
92EP0603C Warsaw RZECZPOSPOLITA
(ECONOMY AND LAW supplement) in Polish
31 Jul 92 p 1

[Article by Slawomir Nowotny: "Consumers Are Counting on the Government"]

[Text] Demoskop, in its July poll of consumer opinion, noted a decided improvement in mood. Shortly before June, the indicator of consumer optimism grew by six points, to a level of 74, which is the highest figure this year. The preponderance of persons believing that the country's affairs are on the wrong track (58 percent), over those who believe that they are taking a turn for the better (29 percent), was reduced by as much as 25 percent.

The improvement of opinions and expectations in relation to the economic situation of the country contributed to the growth in the value of the consumer optimism indicator in a decidedly stronger way than the opinions and expectations concerning the respondents' own material situation. Consequently, the situation is similar to that in April when Demoskop noted the earlier distinct rise in the indicator of consumer optimism, and—in accordance with March's projections—the two component measures of the indicator of consumer optimism are drawing closer as a result of a fundamental improvement in the economic climate (a growth in the value of the economic climate indicator by 13 points), along with

a small increase in the inclination to make purchases (the indicator of the inclination to make purchases rose just two points).

The appointment of Hanna Suchocka to the position of premier in July (59 percent are satisfied with this) and the efficient formation of her cabinet had a distinct, favorable influence on moods. The combination of positive opinions of events from political life and optimism in the economic area is a curious phenomenon, inasmuch as we noted, in a period of intensifying political crisis (May and June), the relative independence of these two realms of mood. Of course, it is difficult to say on the basis of the polling data to what extent this is actually a variety of social homeostasis, consisting in the limitation of the influence of political moods on economic ones in a situation in which the former are in decline, and to what extent the functioning of purely economic phenomena independent of politics and positive—of late—persists.

The picture of economic moods is complicated still more when one closely examines the results of Demoskop's July polls against the background of the June data. The growth was composed of the following changes in opinion: The net estimate of the change in the country's economic situation in the last 12 months improved by 8 percent, but net optimism in relation to the next 12

months grew as much as 17 percent. In analogous estimates of change in the material situation of the persons polled, we even have a slight growth in skepticism in regard to the past year (3 percent), and projections for next year are remaining at the June level. Declarations as to financial situations in the respondents' homes also did not undergo any fundamental changes. However, expectations as to the growth of prices definitely worsened: the number of responses stating that prices will grow in the next 12 months even faster than they are currently increased to 34 percent; but the number of people who anticipate that prices will grow more slowly or even stop growing was reduced from 25 to 18 percent.

The distribution of answers to the following questions remained without significant change: Is now a good time to buy durable goods; is it currently worthwhile to save money; and does the respondent expect to be able to put aside some money in the next 12 months. On the last two questions there was a 2- to 3-percent growth in net positive answers.

Consequently, alongside the testimonies of marked improvement in moods, we have to deal with a certain diversity of meaning in the entire spectrum of opinion. Perhaps further analysis of the results of the poll will allow us to establish additional relationships.

Indicator of Consumer Optimism

	Dec 1991	Jan 1992	Feb 1992	Mar 1992	Apr 1992	May 1992	Jun 1992	Jul 1992
Inclination to buy	78	73	69	65	72	72	74	76
Consumer optimism	72	65	61	58	67	66	68	74
Economic climate	63	52	48	47	59	58	59	72

Source: DEMOSKOP

Research was carried out from 17 July to 23 July of this year on the basis of a sample of the Polish population between the ages of 15 and 69. The sample was chosen by the quota method with regard to gender, age, education, and the size of the place of residence. The number of documented interviews was 964. The statistical error of the estimates amounts to plus or minus 3 percent.

Difficulties of Duty-Free Zones Discussed

92EP0592D Warsaw RZECZPOSPOLITA
(ECONOMY AND LAW supplement) in Polish
20 Jul 92 p II

[Article by Katarzyna Jedrzejewska: "Who Will Set Up the Zones?"]

[Excerpt] Why are duty-free zones being mentioned so often nowadays? Tadeusz Kucharuk, the chairman of the National Coordination Council of the WOC [duty-free zones], answered by asking, "And why is it that transit

countries try so hard to have planes stop over at their airports and ships at their harbors?"

A duty-free zone serves to build bonded warehouses and depots and, in the case of Poland, also to handle the processing of merchandise (in West Europe processing is being relinquished in favor of an emphasis on trade). Such measures have already been taken in, among other places, the Malaszewicze Duty-Free Zone, where a Polish-Italian joint venture is building a meat processing plant. Unfortunately, so far this is one of but a few examples of initiative taken in the existing duty-free zones. "So far, in reality only two such attempts have been made," said Barbara Kozłowska, of the Department for the Regulation of Merchandise Sales and Customs Policy at the Ministry of Foreign Economic Cooperation.

16 in Suspension

On 30 June 1992 16 duty-free zones existed in Poland.

The Executive Order of 2 June 1989 of the Council of Ministers established duty-free zones in: Darlowo, Kolobrzeg, Szczecin, Swinoujscie, Goleniow, Gryfin, Kolbaskowo, Brody, Sulechow, Wroclaw, Kedzierzyn-Kozle, and Gliwice. On the same day the Council also issued executive orders establishing a duty-free zone in Ustka, and subsequently (on 17 July 1989) in Terespol Gmina and Poznan, and (on 9 November 1990) in Cieszyn.

More than half of the duty-free zones are located along the Odra River, plus several along the Baltic Seacoast, and one each on the main transit routes (Malaszewicze on the East-West route and Cieszyn on the North-South route).

The aggregate area of the duty-free zones is nearly 3,223 hectares.

In accordance with the idea that the purpose of duty-free zones is to promote foreign trade, the Council of Ministers issued on 22 December 1990 an executive order introducing additional customs exemptions for trade between duty free zones and the remaining Polish customs territory. As a result, it is now possible for example to import Western packaging technologies and utilize them for Polish products, thus enhancing their exportability.

Zbigniew Gaszczyk, the chairman of the WOC National Coordination Council, commented, "Even so the issue of duty-free zones remains largely unregulated to this day."

Although two laws have been passed along with five executive orders of the Council of Ministers, five executive orders of the chairman of the GUC [Main Customs Office], and a communique and an executive order of the minister of foreign economic cooperation, until recently the issue of duty-free zones remained unregulated.

Deputy Tadeusz Kowalczyk (Sejm Foreign Economic Relations Committee) admitted, "We deputies were continually told that, once Poland joins the EEC, duty-free zones will be automatically eliminated. Thus is a lost cause in advance and there is no point for fighting for it."

It would seem that the issue was resolved by the recent updating of the Customs Law of 19 August 1992 which fixed at 30 June 1992 the deadline for meeting all the legal requirements by the existing duty-free zones.

These are the requirements in question:

- A duty-free zone is to be a separate and uninhabited part of the Polish customs territory.
- A duty-free zone must have regulated ownership relations; its administrator should be the owner of a designated area or have title to perpetual usufruct.
- The size of the duty-free zone can be arbitrary, so long as it is limited by the law of ownership or perpetual usufruct.

—The duty-free zone will be treated as foreign territory and on its area Polish, foreign, and international companies may engage in business activities, with the exception of retail trade (thus: wholesale trade, manufacturing, warehousing, assembling and dismantling, packaging, marking, repair and servicing, displays, etc., will be permitted).

—The prohibition against retail trade does not apply to customs areas at airports and sea or river border crossings (which means that it applies at road and rail crossings), provided that only travelers can purchase retail merchandise there ("Duty-Free Shops").

"And indeed the requirement of ownership of land or perpetual usufruct is difficult to meet," admitted Barbara Kozłowska, "but still it is feasible, as proved by the requests submitted for establishing new duty-free zones. By 30 June 1991 six such requests have been filed with the Ministry of Foreign Economic Cooperation. Unfortunately, practically none of them has met all the formal requirements."

In Z. Gaszczyk's opinion the requirements cannot be entirely met unless the administrator is appointed first. Yet, under the Law of 19 August 1991, first these requirements have to be met and only then the Council of Ministers, when establishing a duty-free zone, determines its boundaries and administrator.

"The revisions of the Customs Law in 1991 introduced the requirement that a duty-free zone be established on uninhabited territory. How can I discuss this requirement with the local authorities of my gmina in Cieszyn if I am not formally the administrator?" asked Z. Gaszczyk. "And if I become the administrator only after the duty-free zone is established, what will be my powers? They have not been defined to this day."

Z. Gaszczyk proposes, "Let the administrator be appointed first, and let him thereupon meet all the requirements."

Not all the existing administrators support this proposal. "Who would want to invest 40 billion zlotys in partitioning off a duty-free zone only in order to learn afterward that the government turned down the request to establish it?" they ask.

Tadeusz Kucharuk, the chairman of the WOC's Coordination Council, added, "Pursuant to the Customs Law of December 1989 the procedure for isolating a duty-free zone was to be determined by the Council of Ministers, but it has not done so for a year and a half. I have been wondering whether determining this procedure really requires a government decision. I was told that I was misinterpreting the term "isolation." The amendment of July 1991 to that law delegated the power to determine the isolation procedure to the minister of foreign economic cooperation, who four months later issued the requisite executive order. Essentially, it turned out that the question reduced to a fence and lighting. On the occasion, however, I learned that the fence which I had

much earlier installed was improper, because it had a 60x60-mm mesh, whereas the executive order specifies a maximum mesh of 40x40 mm."

In the meantime, the deadline of 30 June 1992 has expired and, under the law, the duty-free zones which did not meet the legal requirements ceased to exist. Earlier, however, a group of deputies from the Sejm's Economic Policy, Budget, and Finance Committee had proposed extending this deadline to the end of 1992.

The Main Customs Office and the Ministry of Foreign Economic Cooperation supported this proposal, but in the opinion of Miroslaw Zielinski, the chairman of the

Main Customs Office, a seven-month extension is still too short. On the day when the original deadline had expired one deputy proposed another date—30 June 1993. Ultimately, however, no decision was taken; a subcommittee was appointed.

In the meantime the legal deadline has expired and some duty-free zones ceased to exist. The situation is precarious. It is not unlikely that these zones will be resurrected by an amendment to the Customs Law postponing the deadline for adaptation, on condition that it be made retroactive to the day on which the original deadline had expired. [passage omitted]

Derventa Mayor on HVO-Held Bosanska Posavina
92BA1344A Zagreb NOVI DANAS in Serbo-Croatian
14 Aug 92 p 9

[Interview with Derventa Mayor Vinko Begic by Sanja Kapetanic; place and date not given: "We Are Croats, Who Knows What Class?"]

[Text] *The mayor of Derventa and chairman of the HVO [Croatian Defense Council] of Bosanska Posavina on the battles for Derventa, Odzak, and Modric, on how they do not have any contacts whatsoever with Sarajevo, and on why he thinks that the Hercegovina Croats are privileged.*

In the media shadow of the destruction of Sarajevo, Bosanska Posavina has been experiencing the worst hell in its history for weeks now. Specifically, the entire strength of the Serbian army—from the Cetnik dagger to medium-range missiles—is attempting to maintain a corridor in this area between Serbia and its Krajina satellites. While shells were booming in the distance and one could hear quite clearly the answer of Webers in the hands of the men in the HVO, we spoke with Vinko Begic, mayor of Derventa and chairman of the Bosanska Posavina HVO council, about the war in Bosanska Posavina, relations between the people of that area and Sarajevo, and attempts to establish civil authorities.

[Kapetanic] How much of the territory of Bosanska Posavina is controlled by the HVO?

[Begic] After the last big enemy attack, the line of defense extends from the beginning of Odzak to Bijelo Brdo, toward Motajica. It is impossible to determine the exact line because it twists like a snake.

Derventa, Modrica, and Odzak fell, but they are actually empty cities. A few days ago I visited all the front lines, and in Derventa, for example, no people could be seen. Just a few of them were moving around in cars. The Cetniks control only those three cities, but it cannot remain like that, as will be demonstrated in the next few weeks. Battles are being fought for the area outside those cities.

[Kapetanic] Stories are coming to Zagreb about camps in Posavina, abuses, and massacres of the civilian population that did not succeed in escaping. How many civilians are left in Bosanska Posavina?

[Begic] There were about 140,000 Croats and 30,000 Muslims in Posavina, but it is known that about 200,000 people crossed into Croatia through Slavonski Brod before the last onslaught by the aggressor. Of course, there were also those who managed to escape from central Bosnia as well before the encirclement was completed.

It is hard to say how many people managed to escape from Posavina. We recently sent a letter to Mate Granic and Adalbert Rebic, in which we asked them to grant refugee status to everyone but men fit for combat.

We know for certain that close to Doboj there is a camp in Stanari, but it is also known of Manjaca, since as chairman of the HVO council I initiated an exchange.

I do not have any information that there has been a massacre in any village in which the Croatian and Muslim population remained, and if any large number of people had been involved, we certainly would have known.

[Kapetanic] After the Serbian army's big offensive, first of all it was only rumored, and then it was also announced in the media without explanation, that at the beginning of that offensive two brigades and the heavy artillery were withdrawn from Posavina. Can you tell us anything more about that?

[Begic] There will be time enough for analyses after the war. I would just like to say that the people from Posavina are excellent fighters.

[Kapetanic] A few weeks ago, in an interview for NOVI VJESNIK, you said that for six or seven weeks you had not had any sort of contacts with the Presidency and government of Bosnia-Hercegovina. Have those contacts been established now?

[Begic] There are still no contacts at all. We watch each other on TV. It is really disgraceful that recently there have been constant attempts to pass the ball to the people who are fighting for territory in which Muslims and Croats have lived together for centuries. I think that the leaders, especially those of the SDA [Party of Democratic Action], are too worried that someone will steal power from them.

In any case, since the HVO was established on 15 May, we have not been visited once by the government, the Presidency, or the TO [Territorial Defense], but back on 15 June we informed the Presidency and Government of Bosnia-Hercegovina, and the Croatian Government, that the Bosanska Posavina HVO considered itself part of the state system and armed forces of Bosnia-Hercegovina, and that we were seeking to have diplomatic relations established as quickly as possible between the two sovereign states.

[Kapetanic] How does Bosanska Posavina view the possibility of a military alliance between Croatia and Bosnia-Hercegovina?

[Begic] If the world is still viewing all this a bit coolly, if so many lives are being lost from day to day, I think that it should have been done much earlier. In international politics, however, one has to be very wise, especially if you have the Serbs as your enemies. I am delighted by the recent statement by Ejup Ganic, who finally realized that he could not do anything else but form an alliance with the one with whom you are in a common uniform against a common enemy. The Muslims in the area of the Croatian Community of Bosanska Posavina realized a long time ago that we have to keep together in order to defend ourselves.

[Kapetanic] Recently another possibility also opened up—that UNPROFOR [UN Protective Force], after coming to the border of Croatia and Serbia, would also be at the border of Croatia and Bosnia-Herzegovina.

[Begic] If this is done before an alliance is concluded, then may dear God help us. The leaders of the Bosnia-Herzegovina Presidency, especially the SDA leaders and President Izetbegovic, should have realized a long time ago what would happen. Now they need to think, when four or five months have passed since the funerals in Foca, Bijeljina, and Gorazde.... These are President Izetbegovic's funerals. May he forgive me, but the people there should have been ready a long time before, and they were not ready at all.

[Kapetanic] Recently we have been hearing more and more often that the interests represented by the so-called hard Herzegovina wing of the HDZ [Croatian Democratic Community] in Bosnia-Herzegovina are not completely in accord with the interests of the Croats in northern Bosnia.

[Begic] We Croats in these areas have had the feeling for a long time that we are something like 28th-class Croats, and that the Croats from Herzegovina are the ones through whose veins blue Croatian blood flows. I think that some people, with frivolous statements, are contributing to the deterioration of relations between Croats and Muslims, and so then a fire has to be put out behind them.

It is incredible that a unified HVO was formed without anyone in the Bosanska Posavina HVO knowing about it. That meeting was held in Herzegovina, no one called us, and we found out about it from a hearsay source, from the press!

It somehow coincided—the elections in Croatia, before which all the opposing sides claimed that Bosanska Posavina had been sold, and then came Mr. Boban's

statements, which were such that the Bosanska Posavina HVO's soldiers asked what was going on here, and whether we had been sold.

[Kapetanic] Many men who were fit for combat also fled from Bosanska Posavina. Are they coming back?

[Begic] An enormous number of people who had ties with Croatia realized what would happen in Bosnia-Herzegovina, and so they fled even before the mobilization that we declared here back toward the end of April.

We could not do much here but ask the Croatian ministers of internal affairs and defense to help us have those men come back. This only bore fruit after three or four months. A lot of men also left during these latest offensives. It is not a disgrace to retreat when the enemy is stronger. It is a disgrace, however, to leave, and to keep hiding somewhere when a month has gone by, but to know that you are needed here. I cannot understand those who do not come back when they see the pictures of concentration camps.

[Kapetanic] What is being done today to establish firm civilian rule?

[Begic] Time is working in our favor. The HVO council, which consists of the mayors of Bosanski Brod, Derventa, Odzak, Modrica, Bosanski Samac, Orasje, Gradacac, and Brcko, is the only legal and legitimate body that is taking care of life in these areas. A few days ago, you know, I was in Zagreb to arrange everything needed for registering children at schools and colleges. I was also at the recently opened office of the Bosnia-Herzegovina Government, where a great many things still have to be taken more seriously.

The HVO council will function until a Bosnia-Herzegovina state system is established. I am not crazy for power. I will be very happy when this is over and I schedule elections so that the people can elect a new government very democratically and life can start over again.

Data on Camps for Serbs in Sarajevo

92BA1352A Belgrade POLITIKA in Serbo-Croatian
14 Aug 92 p 8

[Unattributed article: "From State Documentation Center Material: Collection Camps for Serbs in Sarajevo"]

[Text] Testimony on crimes against the civilian population of Serbian nationality in B-H; How the Muslim side uses falsified documents to fabricate false statements; Slavko and Milica Asceric seriously injured "by mistake."

The State Documentation Center for the Investigation of War Crimes Against Members of the Serbian Nation of the Serbian Republic has prepared material on crimes against the civilian population of Serbian nationality in B-H [Bosnia-Herzegovina].

The material covers only crimes for which there exists appropriate documentation and living witnesses. POLITIKA will reproduce part of this testimony.

The introductory part is devoted to Sarajevo. In that city, according to the material from the State Documentation Center, there are collection camps in many neighborhoods, and other places where Muslims are mistreating and killing citizens of Serbian nationality, or rather of the Orthodox religion. The exact locations, types, and scope of torture have been firmly established for only a few camps in Sarajevo.

Known criminals whose release prior to the commencement of the war was made possible by Alija Izetbegovic, through pardons in the name of the B-H Presidency, have set up their own "private" prisons in the basements of apartment buildings and other structures, in garages, and on the business premises of private enterprises, a practice witnessed by many civilians who were freed through prisoner exchanges.

Chain of "Private" Prisons

The testimony of Zeljko Rasevic is characteristic, given to Serbian Television in Pale on 22 July 1992. He passed through an actual, small underground chain of "private" prisons in Sarajevo. The "proprietors" of these prisons, according to a statement by Filip Vukovic, the head of the State Commission for the Exchange of Prisoners of the B-H government, issued to the B-H Presidency on 18 July 1992, charged detainees a ransom of between 300 and 3,000 German marks for their release.

The Muslim authorities are applying extremely unacceptable means in the process of exchanging prisoners. While they are still in prison, Serbs are told gross untruths: that the Serbian side is unwilling to accept them in the exchange, that the lives of members of their family cannot be guaranteed if they go over to the other side in an exchange. Criminal cases have also been recorded: The MUP [Ministry of Internal Affairs] issues a false document to a number of Muslims with the names

of arrested Serbs who then give statements before the television cameras and UNPROFOR [United Nations Protection Force] mission saying that they do not want to cross over to free Serbian territory. Cases have also been recorded where Muslim authorities seize and then "lose" the personal documents of detainees, in order that these persons cannot prove their identity, so that they are returned to Sarajevo in the exchange. An example cited is the case of Milka Milanovic, nee Tintor, and her sister Zorica Tintor.

Crimes in Apartments

Crimes against and the killing of Serbs in Sarajevo are also committed in their apartments. Literally every Serbian apartment has already been ransacked several times, under the pretext of "looking for weapons," which is an excuse for plundering money and valuables, making arrests, and frightening and mistreating people, after which there is always the same official explanation: "a mistake." Thus, serious physical injuries were inflicted, "by mistake," on Slavko and Milica Asceric and their child in their apartment (at Ulica Hasana Brkic 16), which was motivated by revenge on the part of the highest ranking republican figures because of Slavko's refusal to accept the offered position of public prosecutor for Bosnia-Herzegovina. In this way, the well-masked ethnic cleansing of Sarajevo by Muslims, which a number of Serbs have witnessed, is accelerating.

Since the beginning of the war, a large number of Serbian artists, writers, professors, and scientists have left their homes in Sarajevo, fleeing arrest. The studios and canvases of artists Milivoje Unkovic and Ratko Lalic have been completely looted and destroyed. During the first days of the war, the offices of the "Prosvjeta" Serbian Cultural and Educational Society were destroyed, together with the editorial office of JAVNOST, a Serbian newspaper in B-H, and all their property and files. Valuables were stolen and all the archives, manuscripts, scholarly works, and home libraries were removed from the homes of 20 Serbian writers, and the same is true of scientists and professors. Instructions concerning this cultural genocide came from their colleagues of Muslim and Croatian nationality, some of whom, as in the case of actor Josip Pejakovic and singer Davorin Popovic, have endorsed the crime of genocide. In keeping with this is also the fact that 50 professors from various chairs at the Department of Philosophy in Sarajevo have been fired for "terrorist activities."

Based on a suggestion by the Ministry for Culture of Bosnia-Herzegovina, the administrative board of RTV [Radio and Television] Sarajevo adopted a decision on 20 July 1992 to ban the broadcast of songs by Serb performers. Exempt from the ban are those singers who through their songs will glorify the government of Alija Izetbegovic and the struggle of his warriors. This example speaks eloquently of the way in which Serbian culture and the Serbian nation are treated on RTV Sarajevo programs.

Correspondent Visits Bosnian Detention Camp

92AE0562B London AL-SHARQ AL-AWSAT in Arabic
24 Jul 92 p 5

[Article by As'ad Taha: "400 Serbian Prisoners Treated in Accordance With International Law; Chetnik Gang Members Have Committed Massacres Against Muslims"]

[Text] Konjic (Bosnia-Herzegovina)—The program "Picture on Picture," that Croatian television broadcast a while ago, presented a number of interviews with Muslims prisoners recently released in prisoner exchanges between the two sides. They spoke of the brutal torture to which they had been subjected, the scars from which were clearly visible on their faces and bodies. This program engrossed my thoughts while I was on my way to a detention camp for Serbian prisoners in the Muslim-majority city of Konjic, 50 kilometers from Sarajevo. Are the same sorts of brutality, I wondered, being practiced against them?

After a few minutes we arrived at the place, originally a military barracks that had fallen into Muslim hands. The huge gate was opened and we passed through. The camp commander took us on a quick tour before we entered one of the barracks to see a vivid picture and another side of the tragedy this abominable war is producing. Camp Commander (Batmutici) said: "The camp holds more than 400 prisoners. Some of them fell into our hands in fierce battles, and they informed on their brothers in the Serbian militias that were hiding in some areas. As for their fate, matters will be decided after military operations end. Although we have seen them, or most of them, with our own eyes firing on our old men and our women, we are not committing any excesses or human rights violations with them, such as torture or beatings. They will be presented for a fair trial. We do not want to wrong anyone, despite all the injustice we have received." The camp commander, who turned out to be a Croatian on close terms with the Muslim leadership, added: "Each of them had two weapons that he had received from the Serbian leaders. Fortunately, lists of their names fell into our hands, proving this." He added: "The very sight of them causes me severe anguish. I would like to avenge the innocent blood, but I have orders from above not to use any forms of violence with them, and I respect my commanders."

He paused a moment and then said: "I pity these people who responded to their extremist leaders. Yet if we released them in the morning, they would fight us in the evening. They have no goal but to dominate the destinies of the peoples who live with them. In this city they represent 15.5 percent of the population; yet they desire to control it." As he was of Croatian origin, he went on to say: "The Croatian leaders now are playing the same role that the Serbian leaders played in mobilizing the minds of their people against the Muslims. It will end by involving the Croatian people in battles and endless

labyrinths with the Muslims." I stopped the conversation at this point because I was eager to complete my mission.

First we entered a medium-sized room that I soon learned was the infirmary for the prisoners. It contained seven beds on which slept seven of the prisoners. The beds and woolen blankets seemed very clean. On the left, a table with medicines had been placed. A Serbian doctor—a prisoner—was seated at it. It was clear that all the wounds were superficial. I questioned one of the men, and he answered: "My name is (Makajs Rasto) from the city of (Bradinija). I was hit by a bullet while sitting in my home. I turned myself over to the Muslim forces after realizing that I was embarked on a wrong course. I myself never have heard about any massacres of Muslims in my region from my friends or relatives, but I have heard the radio and seen television from Foca broadcasting reports of such massacres."

Another prisoner said: "I turned myself over after I became certain that my leaders were perverted. I realized that the Muslims were right. I opposed my own people and brother Serbs for their sake and began to fire on them." I asked him, "Why are you here then?" He fell silent, and I realized that after hearing such melodramatic answers I should go to another barracks. It was very large. The prisoners sat leaning against its four walls, in addition to two rows in the center. It, too, seemed clean. I examined the faces before me and found no sign of torture or beatings—at least that was what was visible to my eyes. I spoke with several more prisoners. Their answers fell into two groups. One group did not want to abandon their narrow nationalistic vision that had started the war, and they did nothing but respond with involved answers. The other group wanted to escape punishment at any price, even by convenient answers about regret and by blaming their Serbian leaders in Belgrade. In any case, it was clear that a great deal of freedom to speak was granted to the Serbian prisoners. For example, (Midnic) from the city of (Bradinija) thought that the whole problem was that his leaders had not informed them that the Muslim forces had delivered them warnings, after which the city was attacked. Because of fumbling decisions the city had fallen into Muslim hands. However, he went on to say: "We had no desire to fight against our Muslim and Croatian brothers, but the commanders hid many things from us." I asked him, "Were the massacres of innocent people kept hidden from you?" He replied, "I did not know that any massacres had occurred." I asked his comrade (Dzordzi Jabrko), "Do you consider Bosnia an independent republic or a part of Serbia?" He replied mockingly, gazing at the ground, "Some countries have recognized it as an independent republic." I asked (Kilmenta Dzilko), who was sitting in the opposite row, "Have you heard of any incident of rape committed by Muslims against Serbian women?" He answered: "No, we have not heard about Muslims committing any incident of rape. On the contrary, I have heard that many incidents of rape were committed against Muslim women in the area of (Bila)."

Between one answer and another, I noticed the commanders of the camp making a great effort to control their anger. From time to time they would whisper in my ear that so-and-so had killed such-and-such a Muslim, this man had slaughtered, and those men had raped. Thus, the situation was intensely dramatic and infinitely tragic. The two sides in this camp once had been comrades in school and at work; there were even cases of intermarriage. There were human stories, memories, weddings, and funerals. How had all this turned in a moment into fire burning everyone? This is what I asked another prisoner. He replied: "I think all the Serbs—at least in my district—were walking blindly after their leaders, who tried to involve the largest possible number of them in the fighting. The Serbian army and the party"—so said the prisoner—"armed all the members of our people in Bosnia, even in this region, where we form only 13 percent, which means that it would be impossible for us to gain control of it. What they wanted was for fighting to break out and the volcanos of wrath to erupt."

I asked another prisoner, "Do you think Muslim prisoners of the Serbian forces are being treated the same as you are being treated here?" He answered: "The treatment here is good. We have no objection to it. I don't know the kind of treatment in the Serbian camps, but I have heard that it is brutal and that there are cases of murder."

Dangerous Cases Section

After this heated engagement, I wanted to leave; but the camp commander said to me, "Wait. I'll take you to the dangerous cases section and give you an interview with a Chetnik commander." (These were the armed gangs formed in 1940 that committed brutal attacks on both Muslims and Croats. It was common knowledge that if they entered a village, they left nothing alive—neither man, animal, plant, nor bird. Then they would burn the houses. This is what they were doing again in the current fighting.) They brought out the man to meet us. His name was (Rajko Kridz). His face was so hostile that I looked at his hands to make sure he wasn't holding a gun. The commander introduced him to me as the man who had been in charge of cutting the road between Mostar and Sarajevo and distributing weapons.

The man said: "Distributing weapons took place without my knowledge and outside of my authority in coordination with the Serbian party, of which I was not a member." I asked him, "In any case, why did you take up arms?" He answered, "I was an officer in the past and therefore took my place in the emergency committee to defend the city." "Defense against whom?" I asked. "Defense of our district," he said; "we never had the aim of attacking anyone." Again I asked him, "Defense against whom?" "That," he said, "is a big question involving military and political conditions. In any case, we are linked by neighborly relations." He could not finish what he was saying, because everyone—the commander, the guards, the escort, and the translator—

exploded at him, asking him about this "neighborliness" that sanctions slaughtering one's neighbor. The commander intervened and asked him, "Who gave you the right to cut the road from Mostar to Sarajevo." He replied, "No one has that right." Again he asked him, "How did Serbia help you do it?" The man replied very coldly, "We blame the Serbian commanders for not giving us the necessary aid." I realized that this conversation had to end. However, our report will continue, for the military command of the neighboring district decided to help us reach the front confrontation line with the Serbs. In this lies another report.

Bosnian-Croatian Alliance Weakening

92AE0562C London AL-SHARQ AL-AWSAT in Arabic
26 Jul 92 p 5

[Article by As'ad Taha: "Bosnian-Croatian Alliance a Marriage of Convenience, Divorce Possible Because of Political Contradictions"]

[Text] Mostar (Bosnia-Herzegovina)—Mostar was the last stop on our trip. Our modest convoy headed toward it after everybody had led us to understand that it was peaceful in the wake of its liberation from Serbian forces, which had been forced to retreat outside the city limits. The fighters wished us a happy journey's end. Personally, I hoped to pass a few pleasant hours in a city I had visited before the war, when it vibrated with vitality and beauty. I remember that the country road linking it to the capital Sarajevo was itself an attractive landscape. I asked the local people why they were neglecting such tourist attractions that could bring large numbers of Arab or Western tourists. The answer was that the land through which we were traveling was part of the region called Herzegovina, which had a Croatian majority. A few days before the beginning of our trip, the leaders of the Croatian Democratic Party in Bosnia had proclaimed the region independent. I thought that this had happened in the context of the anarchy of civil war and the power-hungry kinds of field commanders the war was producing. However, the checkpoint that stopped us and demanded a special pass issued by the Defense Ministry in Herzegovina indicated that difficulties and disturbances were going to affect Muslim-Croatian relations.

The Croatian soldiers finally agreed to our passage after they learned of our mission, but the incident reminded me of something that one of the aides of the general commander of the Konjic region had whispered—that the Croatian leadership in Bosnia was preparing to arrest his commander because he had refused to obey its wishes and come under its command as part of what the fighter had called "intensified moves to impose the influence of certain local commanders." I noted that dozens of checkpoints and observation points had stopped us in the areas we already had passed through in the territory of the Republic of Bosnia and in places with a Muslim majority. All had been Croatian, although they led into Muslim-majority cities. When I asked about the Muslim

fighters, they were said to be at the front or inside the city. Furthermore, the Croatian-majority areas that had been liberated were full of flags of the Republic of Croatia, not flags of Bosnia-Herzegovina, indicating that the desire to secede was tempting not only the leaders. I heard many statements in this regard by the Muslim side, but had no opportunity to ask the Croatian side about their truth. For example, fighters at a certain position complained about how some of their comrades had been wounded in heavy fighting on the hill, how they had run out of gas while taking them to the hospital, and how the Croatian soldiers had refused to give them the gas they needed. The wounded men were bleeding, and one of them died. Others complained that some trucks carrying relief supplies from Islamic organizations had been looted by Croatian forces. I remembered the answers some Muslim leaders had given to questions about Muslim-Croatian relations. Dr. Rusam Hadzi, the mayor of Konjic, had said: "The Croatian media are broadcasting lies about how Croats played the main role in liberating the territory. Yes, we acknowledge that they are fighting with us, but we reject their claim that they are playing the main part. We are allies, but some disturbances have occurred in the relationship because of some field commanders acting on behalf of the Croatian Democratic Party." Ever since the war began, he added, the latter had been trying to bring about solutions suitable to themselves in areas where they formed the majority or where they could dominate. They form their own forces and political positions. He added: "Our city of Konjic and the city of Jablanica, 15 kilometers south of our city, are part of Herzegovina. The Democratic Labor Party (Islamic) won in the two cities, but Mr. (Buban), one of the Croatian leaders in Bosnia, proclaimed Herzegovina independent without consulting with us. We do not reject discussing the matter—but after the war and through popularly elected political organizations and bodies." Commander As'ad said: "The proclamation of an independent Herzegovina and the fact that Croatian forces are not participating in the defense of our province—these things are causing us difficult problems. In fact, not only are they not giving help, they even are preventing supplies from reaching us. However," he went on to say, "we cannot deny that some aid is given to us from time to time." (Basim Sijahjic), the mayor of Zenica said: "When the Croats proclaimed Herzegovina independent, relations between us became tense. However, I don't think the Croatian people support or back the decision. It is only some Croatian extremists. The educated people among the Croats are critical of such actions and do not want to torpedo Muslim-Croatian relations, especially on the military level. I believe that the Muslim and Croatian peoples will find a solution to the crisis through dialogue."

Before we reached Mostar, the radio surprised us with news that shelling of the city had been resumed. We thought there must be a mistake, but in short order a shell met us like a warning message at the entrance to the city. By the time we reached the city center, shells began raining down on us. I looked right and left for a place to

hide and protect myself from this rain of swords. Surprisingly, people kept walking in the streets and carrying on ordinary life amid the shelling. Sometimes someone would turn aside or move back a bit, as if avoiding being wet by a rain. Otherwise, life was normal. Ambulances were running, and fighters were taking up their positions. There was not a single street in Mostar where destruction had not left its mark.

Shaykh (Said Smatinc), the mufti of Herzegovina, met us. He said: "All the Muslim villages in the district have been destroyed, as well as the suburbs of the city of Mostar and the old quarter where Muslims live. The destruction was general and complete. It was clear that our districts, our mosques, our Islamic antiquities, and even our cemeteries were targets for the Serbian forces." I asked him the reason for the renewed shelling. He said: "The Croatian forces have withdrawn from some Muslim districts that had been liberated, so that they have fallen again into Serbian hands. Thus they have been able to take up their positions to shell the city. The Croats withdrew without notifying us, while the Muslims were fighting on another front." He was silent for a moment, then he resumed: "I think it is part of the pressure policies being used with us, so that we recognize the independence of Herzegovina." I asked him about the presence of Arab fighters. He said: "I welcome them among us. We are one body and one entity confronting one enemy." Dr. (Ismet Hazdiosmanovic), head of the Democratic Labor Party (Islamic) in Mostar, spoke to us about the city's importance—how it was an outlet for Serbia to the sea by way of (Mulidza) and how it led to the capital, Sarajevo. He added that Mostar was one of the most complex cities where fighting was taking place. The discussion inevitably came around to the Croatian issue. He said the Muslims had been forced to form an alliance with them, and added that the Croatian lobby in Europe and Canada had funded the Croatian Democratic Party's rise to power, on condition that Herzegovina be annexed later. Now that lobby is demanding that the Croatian Democratic Party keep its promise. "Fantastic sums were paid for this purpose. I repeat that the Muslims had no choice but this alliance to confront the huge Serbian war machine. Information has reached us from our intelligence apparatus that a very powerful front of five brigades is forming now in Serbia and Montenegro. It represents a frightening force even for NATO. I therefore am sure that no one will intervene militarily on our behalf. We Muslims must bear the burden of the battle by ourselves and liberate our lands with our own hands." I asked him, "Do you think the Serbian forces are stronger than the American forces?" He said, "They aren't more powerful, but they have military and strategic positions that make them more secure. They are all positions in the mountains or the forests. It wouldn't be easy for foreign military intervention to succeed under these circumstances." We then went with a fighter to the old quarter of the city of Mostar—the quarter where the Muslims live. It is really difficult to describe what I saw. Essentially, I saw nothing but destruction. Not one stone had been left on

another. Everything had been burned. Everything had been destroyed. Everything had collapsed. What hideousness! The mosques had been the first and main target. Their minarets had been blown up and destroyed. Fire had destroyed Korans, books, and mosque walls. The coffee house across the way had been burned—the pharmacy, the house, the office and headquarters of the Islamic shaykhs, the Islamic library. Even Muslim graves had been hit and desecrated. Where had this hatred been hidden? I ran breathlessly from place to place to photograph and see as much of the city as possible. The shelling was becoming more frenzied. One of the fighters told us, "Don't worry; this quarter won't be shelled again. There is nothing worth shelling in it any more."

I confess that I had heard a lot about mosques that had been destroyed, but there is nothing more distressing to the mind than to find a collapsed minaret at the intersection in front of you. I was walking—running might be a better word—thinking only of the sad, heart-rending stories of massacre, rape, and murder I had heard from the refugees from Mostar now living in Split in Croatia.

Finally I reached the headquarters of the Muslim command—a huge military barracks that had been the main headquarters of the Serbian forces. In front there was a military vehicle on every side of which had been written, "God is most great," "Jihad," and "There is no god but God; Muhammad is the messenger of God." In front of us were half a dozen or so fighters. A wounded man who had been hit yesterday evening was standing among them. His wounds had been bandaged, but he had refused to stay in hospital. We toured the barracks. One of the fighters insisted that we enter the barracks where the Serbian soldiers used to sleep. On its walls had been written a number of expressions that I would like to quote to you in full.

The first wall was inscribed: "Here sleeps (Dzula Azulitsha), who destroyed the Muslim cemetery in Mostar." Next to this someone had written: "Here sleeps (Kridz Bumbash), who destroyed four houses and two mosques." On the opposite wall: "Here sleeps (Mishko Tobobrisni). I stole all I could carry and could get my hands on." The final inscription said: "Here sleeps the most powerful war criminal in the district. He is called 'Baby' (Dete), and he destroyed four tanks, a troop carrier, two snipers' nests, and three houses."

I left Mostar downcast, unable to do anything but feel deep sadness. This, it seems, is the position into which we have been forced—at least for now.

Konjic Mayor Sees No Need for Intervention

92AE0562A London AL-SHARQ AL-AWSAT in Arabic
23 Jul 92 pp 1, 4

[Article by As'ad Taha: "Bosnia"]

[Excerpt] After a short journey that lasted four hours over the same rough winding roads that I was forced to take the previous time, I arrived at the outskirts of

Konjic, about 50 kilometers from Sarajevo. The city was silent. A few houses seemed to have been burned. My escort warned me not to go near them because of the possibility of encountering an unexploded mine or snipers' bullets, as we had not yet entered the city center that the Muslim forces had been able to liberate and control.

We went first to the district military commander's home—or rather his military barracks, as he had turned his home, which was more like a small mansion, into a military unit. His wife met us. She was wearing a military uniform and was busy serving the officers and commanders present in the home/barracks. I learned that this commander, whom we were later to go into the mountains to visit on the confrontation line with "the Serbian enemy," as his wife said, was a rich merchant who had spent most of his life in Germany. As soon as the troubles broke out, he returned immediately to his city with a large sum of his money, which he devoted to buying weapons.

We sat waiting for the car that would take us to the mayor's office. As we drank coffee, the wife turned on a video so that we could see a film of those who had been wounded in the fighting and how they were being treated under these difficult conditions. I saw pictures of a Muslim fighter who had stepped on a mine and whose foot had to be amputated. The medical unit had no anesthetics. We saw the man trying to suppress a scream as they severed his foot from his body. How miserable war is!

"I am Dr. (Rusam Hadzihusejnovic), mayor of the city of Konjic. There are 46,000 residents. Muslims form 65 percent of them, Croats 23 percent, and the remainder are Serbs." He said this in broken Arabic and added, "I learned a little Arabic while working in Libya."

I asked him, "Has the Serbian minority left your city?"

"Of those who took part in fighting against us, some were wounded, some were killed, some were captured, and some fled; as for the others, they are living in peace." He added: "We are proud of our Islam, which preaches tolerance and peaceful coexistence. We therefore have safeguarded the Serbian minorities among us in all the Muslim-majority Bosnian cities that we have been able to keep. We have done so despite the savage collective extermination to which our people have been subjected in the Serb-majority cities or in the Muslim cities that have fallen into Serbian hands."

He added: "It is a war of extermination against everything related in any way to Islam or Islamic culture. Our villages, houses, and cities are being destroyed and burned by the shells of the very army that we helped to build with our money for over 50 years. Today it is engaged in the mission of slaughtering us. The Serbian minority in Bosnia has never recognized Alija Izetbegovic as president of Bosnia. He may have been democratically elected, but his name is Alija, and that is reason enough for the Serbs to reject him."

I asked him, "Do you set much hope on international military intervention?" He answered with great fervor: "I don't think we need such intervention. Just give us weapons! As yet we have mobilized only half our forces, because we lack the ability to arm everyone. In all our armed confrontations with the Serbian forces we have been able to defeat them. That is the role we expect from you. But I am very disappointed that the Islamic community is dealing very slowly with our cause. It must make quick, resolute decisions in regard to supporting us. The time factor is very important. The fate of our people could be decided at any moment. We need you today; if you come tomorrow, you may not find us! Our Muslim people now have a historic opportunity to decide their destiny by themselves and to be their own master on their land. If not, the hands of the clock will turn back to a time when others planned their future for them."

Before the meeting ended, Dr. (Rusam), the mayor of the city, said: "We are not poor. We possess the most modern ammunition factory in the region. Once we used to export to Iraq, but unfortunately the factory now is shut due to lack of raw materials. We do not have the material means to import them from abroad. Muslim fighters took control of it two months ago. The greatest aid that can be given to us is a contribution to restore it to operation."

He insisted on accompanying me to the factory, so that I could see the majority of its departments lying like a rigid corpse—that was his phrase. In the morning I went to the factory, where (Dzavad Safik), a city official, met us. A question arose in my mind: What if the factory now were subjected to air attack by Serbian planes? He seemed to have read my mind and said spontaneously: "We have downed four of their planes—one was a helicopter. They have not dared to attack us since then. The backbone and essential framework of the factory are in the heart of the mountain and are virtually impossible to hit."

He went on to say: "The factory was built in 1958 to produce ammunition. We produce—or used to produce—150 million bullets and 7 million anti-aircraft shells a year. We used to export large quantities of ammunition to foreign countries." (Dzavad Safik) added: "This is the only factory to have fallen into Muslim hands in the whole republic. We had huge quantities of ammunition as soon as the factory fell into our hands, and we distributed the ammunition to the joint defense forces in various places."

I strolled through the factory, beginning with a small section of it that was still working. It was crowded with women workers who were working with great enthusiasm. Among them were old women who provided a vivid picture of the will to live that can forge victory. I questioned some of them, and they replied that their husbands and sons were all fighting at the front—except for one woman, who had only two daughters who were working as nurses to save those wounded in the fighting.

Weapons and ammunition were the only complaint I heard in all of my visits to the front. I shall never forget the woman in the refugee camp who said, "Don't give us food; we'll not die of hunger. Just give our men weapons with which to defend us!" [passage omitted].

Hercegovina Bishop Condemns Croatia's Aggression

92BA1344C Belgrade *BORBA* in Serbo-Croatian
8-9 Aug 92 p 6

[Letter from Zahum-Hercegovina Bishop Atanasije to UN Secretary General Butrus Butrus-Ghali: "Concealing the Fascism of the Croatian State"]

[Text] "Will the European peoples and the UN continue to keep silent and conceal this fascism of the Croatian state?" asked Bishop Atanasije.

Belgrade—"The regular armed forces of the Republic of Croatia are still attacking and penetrating deeper and deeper into the area of eastern Hercegovina, especially the territory of the Trebinje opstina, so that they have reached about 10 kilometers from the city of Trebinje. The army of the Croatian state, which contains a considerable number of foreign mercenaries, including American citizens (Serbian fighters recently captured two American citizens as Croatian soldiers), as well as a considerable amount of foreign weapons and equipment (as shown by the captured materiel), have recently, especially on 5 and 6 August 1992, been firing shells from all the heavy weapons and burning Serbian villages, churches, homes, and cemeteries in all of Popovo Polje, as a result of which the civilian population, our churches and houses, are directly suffering. Every day there are dead and wounded, among whom there are also old women, the unarmed and unprotected Serbian population. On the heights of Bobani, which the Croatian forces have already seized, even though there is no Croatian population there at all, all the Serbian villages and churches have been burnt and destroyed. The Croats are now doing the same thing throughout the Serbian villages of central Popovo Polje, in the villages of Poljice, Sedlari, Grmljani, Jasenica, Lug, Diklici, Velicani, Drijenjani, Mrkonjici, Zakovo, Mesari, near our Tvrdos monastery, and the city of Trebinje itself. Ivanjica, Zaplanik, Orah, and other villages in Trebinska Suma have also been burnt," states Zahum-Hercegovina Bishop Atanasije in a letter to UN Secretary General Butrus Butrus-Ghali.

"Exactly a month ago, I reported in a telegram that the Zitomislic and Zavala monasteries had been attacked, occupied, and almost completely destroyed, and that the Duzi and Tvrdos monasteries were also threatened. Our cathedral church in Mostar, as well as dozens of other Orthodox churches on both sides of the Neretva, were destroyed. Now in the Trebinje opstina the Serbian Orthodox churches in Orasje, Ravno, Kijev Dol, Zacula, Scenica, Rapti, Zaplanik, and Poljice have been destroyed, and the old church and the new memorial

chapel of the new Serbian martyrs in Velicani, where the sacred bones of the Serbian victims of the Croatian genocide in 1941-44 in Popovo Polje and Ržani Dol are buried, have been damaged. This holy place is threatened by the same danger from the Croats as the one that recently overtook the sacred bones of the new Serbian martyrs in Prebilovci, which the Croatian soldiers mined, burnt, and razed with a bulldozer, along with the church and the entire Serbian cemetery. The twofold genocide against the Orthodox Serbian martyrs of eastern Hercegovina, which has always been Serbian and Orthodox, has thus been repeated," Bishop Atanasije emphasizes.

"The Croatian state army is not observing any cease-fire at all. This is direct aggression by the state of Croatia against the Serbian people and the Orthodox Church in Hercegovina. Will the European peoples and the UN continue to keep silent and conceal this fascism of Croatia's?" Bishop Atanasije asks at the end of his letter to Butrus-Ghali.

Justice Minister Views Position of Minorities

AU3108093192 Budapest MAGYAR HIRLAP
in Hungarian 26 Aug 92 p 8

[Interview with FRY Justice Minister Tibor Varady by correspondent signed "F.Gy" in Belgrade; date not given: "The Minorities Should Be Given Special Status"]

[Excerpts] We went to Belgrade to learn the Federal Government's views on the latest developments. There is feverish activity in the EC, but nothing actually happens. Prior to the Yugoslavia conference in London, we asked Justice Minister Tibor Varady what the FRY Government intends to do in order to alter the situation and to put an end to the ethnic cleansing and concentration camps.

[Varady] Many people continue to think in terms of overall Yugoslavia. There are people who find it difficult to accept the fact of disintegration because they expect their own ethnic group to broaden, from either a Serbian or Croatian viewpoint. We must draw the conclusion that this is another country that, hopefully, will soon be able to develop good relations with all its neighboring countries. We are a separate country, and that means that we have neither demands nor any other intentions toward the others. This government is not responsible for what is happening elsewhere. There are no foreign troops on the territory of Bosnia. The bulk of the current Bosnian army is made up of the former Yugoslav Army and, naturally, this also caused alarm abroad. Diplomatically, the FRY should do everything in its power to make the Serbian side behave with self-restraint. Our federal prime minister, Mr Panic, is active in this respect and in this direction.

[MAGYAR HIRLAP] If the Serbian forces in Bosnia are soldiers of the old Yugoslav Army, why is today's Serbia unable to influence them? Where do the arms come from?

[Varady] I can only guess. It is obvious that the Bosnian fighters inherited their arms and their military supplies from the former Yugoslav Army. This situation developed prior to the formation of this government. I do not know whether there are sufficient arms or through what channels they receive their military supplies. Perhaps the defense minister knows this, but this is not certain either.

[MAGYAR HIRLAP] How do you, personally, and the federal government envisage a settlement? Is there any chance of any positive development in the foreseeable future? You are burdened by sanctions and the entire world has learned about the concentration camps. People are speculating about what will happen in Kosovo and Vojvodina.

[Varady] I can only express my personal views. I think that every successor state should mutually recognize each other. The borders should remain the borders between the various republics of the former Yugoslavia. Further development can be based on this. This is not an easy step, and it is rather painful and dangerous. Naturally, it is a painful thing that many Serbs suddenly became a minority in some regions of the old Yugoslavia. Hungary is well aware of this, and it also knows that all this requires justified national minority protection; this means that Yugoslavia is interested in guaranteeing the protection of national minorities and the mutual recognition of borders. I think such there will also be such proposals at the London conference. Most Yugoslav politicians distance themselves from the concept of "special status" although development could be based on this: This would apply to the Serbian regions in Croatia, but also to the regions within FRY, namely Vojvodina, Kosovo, Sandjak. I do not see any problem with this term. Vojvodina already has some sort of special status because, in my opinion, some—very few—elements of the autonomy are still present. A negative special status exists in Kosovo, because there is a state of emergency there. The special status in itself is not incompatible with the Yugoslav practice. The question is what content this concept has. In my opinion, national minority protection should cover this concept. [passage omitted]

[MAGYAR HIRLAP] Does the federal government have any position in connection with the Western powers' threat of some kind of military intervention?

[Varady] For the time being, they are talking about securing the aid transports. The Yugoslav Government wants to persuade the Bosnian forces to refrain from hindering the transportation of humanitarian aid. It is a promising fact that aid has already arrived to Gorazde and, if you ask me, I do not regard the siege of this town as justified. However, I do not know how I or the government could put an end to this siege.

[MAGYAR HIRLAP] I heard of the possibility of the FRY contributing with its own armed forces to creating a cease-fire and peace in Bosnia, similarly to the system that occasionally worked in the former Soviet Union.

[Varady] Mr. Panic had such ideas and he said that the Yugoslav Army could bring about peace in a matter of days. There was no great enthusiasm for this plan, and one has to understand this. International public opinion regards the Yugoslav Army as responsible for what is going in Bosnia. International public opinion expected the Yugoslav Army to be neutral, but the Yugoslav Army was not neutral in this conflict. I think that it would not be right to insist on that idea. [passage omitted]

[MAGYAR HIRLAP] Is the federal government dealing with the concentration camps?

[Varady] These camps are outside the territory of Yugoslavia. I think there are such camps and this is a terrible fact. There have been accusations that such camps are also to be found on the territory of Yugoslavia. The federal government carried out an investigation and came to the conclusion that there are no such camps on the territory of Yugoslavia. Probably, there are such camps in Bosnia, but I do not see what we can do in another state.

[MAGYAR HIRLAP] Do you see any problems in the relations between the FRY and Hungary today? Are there unsolved issues that, in your opinion, are burdening bilateral relations?

[Varady] There should be no such issues. I have read a lot of incendiary and provocative articles. Our public is still concerned about the ominous arms supply issue. The fact that Hungary often adheres to the radical anti-Yugoslav trend, rather than to the compromise formulas in the UN Security Council for example, is receiving a negative press reaction here. I am not the proper person to judge the extent to which the Hungarian foreign policy regards this trend as justified. On the other hand, clearly anti-Hungarian articles are published in several Serbian newspapers. However, I do not see any real problem that would automatically lead the two countries to a collision course. Both their long-term and short-term interests compel these two countries to economically cooperate with each other, because they are very much dependent on each other from every point of view. The existence of Hungarians in Vojvodina also requires a policy of thoughtful cooperation. [passage omitted]

Madrid Paper on Muslim 'International Brigade'

92BA1344D Belgrade BORBA in Serbo-Croatian
8-9 Aug 92 p 6

[Article by V. Stankovic: "Muslim 'Interbrigades' in Bosnia-Herzegovina"]

[Text] *Between 100 and 1,000 volunteers from Bahrain, Saudi Arabia, Algiers, Turkey, and Tunisia are fighting*

on the Muslim-Croatian side, says Muhamed Suhel Tafi, who complains that the Islamic world has not done anything to help its brethren in Bosnia.

(From BORBA's correspondent) Barcelona—The Yugoslav crisis, with its most acute focus in Bosnia-Herzegovina, has recently been the central foreign policy topic in the Spanish media again.

Yesterday's EL PAIS reveals a new dimension of the ethnic conflicts in Bosnia-Herzegovina. This newspaper's special reporter Herman Terc, in a column dated from Travnik, writes about the existence of a sort of "Muslim international brigades" that are fighting on the Muslim-Croatian side.

The reporter quotes a certain Syrian dentist named Muhamed Suhel Tafi, who complains that "the Islamic world has not done anything to help its brethren in Bosnia":

"Only words and promises. Fortunately, there are many Muslims who do not want to watch the sufferings of their brethren calmly. Volunteers have begun to arrive. So far there are between 100 and 1,000 of them," Tafi says without going into much detail.

The EL PAIS reporter states that the volunteers have come from Bahrain, Saudi Arabia, Algiers, Turkey, Tunisia, and—the Netherlands! These are Dutch who have accepted Islam.

Tafi expresses the conviction that "very soon" the Muslim international brigades in Bosnia-Herzegovina will be "considerably more numerous," because new volunteers disgusted "by the indignation of their governments" will arrive. This Syrian says that there are more and more Muslims who do not want to observe passively the "genocide in Bosnia-Herzegovina," and among those who have already come there are some with combat experience from Lebanon and Afghanistan.

"We are ready to fight face to face with anyone, including U.S. Marines. I do not believe that they will come, however, because they do not care that someone is killing Muslims here," Tafi says.

EL PAIS also reports in yesterday's issue about an offensive by the Muslim-Croatian forces, which are trying in three places to break through the encirclement in which the Serbian forces are holding Sarajevo. It reports on the renewal of the conflict in Mostar, which has been held since two months ago by Croatian-Muslim forces, as well as the accelerated construction of an airport in Tomislavgrad, because, it alleges, they cannot wait for winter without an aircraft runway, because without it the entire region will remain isolated. EL PAIS announces the partial move by the Bosnia-Herzegovina government to Zenica "for easier contact with its own troops," but also states that this city was also bombed two days ago, for the first time since the beginning of the war, by aircraft said to have flown "from Banja Luka or Podgorica."

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